



Yumeshin Holdings / 2362

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How to read a Shared Research report: This report begins with the trends and outlook section, which discusses the company's most recent earnings. First-time readers should start at the business section later in the report.

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Executive summary

Business

- ▶ Yumeshin's main segment is Construction Technician Temporary Staffing, and it also has an Engineer Temporary Staffing business, an education-related business, and an IT-related business. The company conducts "specific temporary staffing." It signs a worker staffing agreement with a client and dispatches its own full-time employees to perform the job on client sites. The client directly manages the staff and can utilize them for the duration of the assignment.
- ▶ In construction, timing of orders is uncertain, site locations change with each project, duration of projects vary and are comparatively short, and the work is labor intensive. According to the company, this makes outsourcing perfectly suited to the needs of the industry. While many of its peers respond to outsourcing needs in various fields, Yumeshin has focused on construction staffing.
- ▶ Yumeshin mainly provides workers in their 20s. Since the bubble burst in the 1990s, the domestic construction workforce has aged as firms have cut back on new hiring. There is now strong demand for young workers on construction sites, partly owing to difficult physical conditions—including extreme weather and exposure to the elements—and to the fact that young workers ask for lower wages and offer nimble footwork. Yumeshin thus focuses on hiring and dispatching young workers to capitalize on this demand.
- ▶ The company's sales are driven by the number of staff that it dispatches, utilization rates, hours dispatched, and wages. The majority of cost of sales is labor costs. The gross profit margin remains around 30%. SG&A expenses are mainly personnel and hiring costs (advertising and others), and the SG&A-to-sales ratio remains in the 16–21% range.

Earnings

- ▶ For FY09/18, Yumeshin forecasts full-year sales of JPY39.0bn (+27.8% YoY), operating profit of JPY5.4bn (+128.6% YoY), recurring profit of JPY5.2bn (+114.5% YoY), and net income attributable to parent company shareholders of JPY3.7bn (+159.5% YoY). In the mainstay Construction Technician Temporary Staffing segment, the company plans to focus on recruitment and aims to hire 2,700 workers, to reach a total of 5,200 technicians (+18.1% YoY) at the end of FY09/18.
- ▶ In September 2018, Yumeshin announced its medium-term management plan for FY09/19–FY09/21. The new plan is targeting FY09/21 sales of JPY76.2bn, operating profit of JPY10.0bn, and net income attributable to parent company shareholders of JPY6.8bn. The company aims to build scale through aggressive hiring in both core segments.

Strengths and weaknesses

Shared Research thinks Yumeshin's strengths include its brand recognition based on its stock market listing, the experience of its top management, and its effective use of younger employees. Weaknesses include performance in favorable economic periods when younger employees may look elsewhere for work, dependence on construction industry, and poor cost effectiveness in new business areas (see the Strengths and weaknesses section for details).

Key financial data

Income statement (JPYmn)	FY09/08	FY09/09	FY09/10	FY09/11	FY09/12	FY09/13	FY09/14	FY09/15	FY09/16	FY09/17	FY09/18
	Cons.	Par.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Est.
Total sales	7,080	5,483	4,862	6,817	10,982	12,538	16,482	21,116	23,271	30,510	39,000
YoY	-81.8%	-22.6%	-11.3%	40.2%	61.1%	14.2%	31.5%	28.1%	10.2%	31.1%	27.8%
Gross profit	2,037	1,759	1,490	1,899	3,159	3,450	4,583	5,150	6,563	8,781	
YoY	-55.3%	-13.7%	-15.3%	27.4%	66.3%	9.2%	32.8%	12.4%	27.5%	33.8%	
GPM	28.8%	32.1%	30.7%	27.9%	28.8%	27.5%	27.8%	24.4%	28.2%	28.8%	
Operating profit	489	756	520	543	1,195	1,230	1,857	1,727	2,433	2,362	5,400
YoY	69.7%	54.5%	-31.2%	4.4%	120.1%	3.0%	51.0%	-7.0%	40.9%	-2.9%	128.6%
OPM	6.9%	13.8%	10.7%	8.0%	10.9%	9.8%	11.3%	8.2%	10.5%	7.7%	13.8%
Recurring profit	372	807	552	451	1,296	1,771	2,952	1,960	2,463	2,424	5,200
YoY	51.9%	117.1%	-31.6%	-18.3%	187.2%	36.7%	66.7%	-33.6%	25.7%	-1.6%	114.5%
RPM	5.3%	14.7%	11.4%	6.6%	11.8%	14.1%	17.9%	9.3%	10.6%	7.9%	13.3%
Net income	328	679	386	102	739	1,389	2,246	1,882	1,623	1,426	3,700
YoY	-	106.9%	-43.2%	-73.5%	622.5%	88.0%	61.8%	-16.2%	-13.7%	-12.1%	159.5%
Net margin	4.6%	12.4%	7.9%	1.5%	6.7%	11.1%	13.6%	8.9%	7.0%	4.7%	9.5%
Per share data											
Shares issued (year end; '000)	74,573	74,573	74,573	74,573	74,573	74,573	74,573	74,573	74,573	74,573	
EPS	4.9	9.9	6.7	1.4	12.6	22.7	34.6	27.8	21.8	19.1	49.6
Dividend per share	2.0	3.0	2.0	2.0	4.0	20.0	30.0	35.0	35.0	35.0	35.0
Book value per share	26.8	32.3	31.3	26.6	35.9	79.3	112.5	181.8	168.6	160.7	
Balance sheet (JPYmn)											
Cash and cash equivalents	2,305	1,710	2,020	2,305	2,565	4,262	5,755	11,460	8,724	8,556	
Total current assets	3,628	2,816	3,027	3,917	4,684	6,457	8,856	15,210	13,334	14,839	
Tangible fixed assets	1,380	1,405	1,230	1,388	1,412	1,465	811	940	1,353	1,080	
Investments and other assets	536	641	788	566	908	1,440	2,723	3,299	3,193	3,388	
Intangible fixed assets	2	40	36	759	666	553	416	348	1,221	1,060	
Total assets	5,545	4,902	5,082	6,630	7,670	9,916	12,806	19,798	19,118	20,401	
Accounts payable	14	10	8	10	14	9	12	9	11	25	
Short-term debt	1,195	1,119	702	2,195	1,826	840	856	1,106	891	1,733	
Total current liabilities	1,710	1,538	1,102	3,400	3,402	2,455	3,593	4,031	3,552	5,848	
Long-term debt	1,922	1,198	2,020	1,088	1,509	1,649	893	1,219	1,645	1,045	
Total fixed liabilities	1,923	1,203	2,024	1,472	1,932	2,082	1,307	1,649	2,055	1,473	
Total liabilities	3,633	2,740	3,126	4,872	5,334	4,538	4,899	5,681	5,606	7,321	
Net assets	1,925	2,161	1,956	1,757	2,336	5,378	7,907	14,117	13,512	13,080	
Total interest-bearing debt	3,117	2,317	2,722	3,284	3,335	2,488	1,749	2,325	2,536	2,779	
Cash flow statement (JPYmn)											
Cash flows from operating activities	504	941	558	528	1,064	793	1,659	713	726	1,690	
Cash flows from investing activities	1,670	82	-498	-409	202	180	620	-178	-1,118	424	
Cash flows from financing activities	-3,105	-1,237	-178	4	-152	595	-734	5,272	-2,173	-2,027	
Financial ratios											
ROA (RP-based)	5.0%	15.5%	11.1%	7.7%	18.1%	20.1%	26.0%	12.0%	12.7%	12.3%	
ROE	18.3%	33.2%	18.7%	5.8%	40.4%	39.1%	36.3%	18.0%	12.4%	11.6%	
Equity ratio	34.7%	44.1%	38.5%	23.5%	27.4%	50.4%	57.6%	68.5%	65.7%	58.7%	

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Recent updates

Highlights

On **October 12, 2018**, Yumeshin Holdings Co., Ltd. announced a monthly flash for September of FY09/18; see the Monthly flash (Construction Technician Temporary Staffing business) section for further details.

On **October 4, 2018**, the company announced acquisition of shares in Sanritsu Design, Co., Ltd., making it a subsidiary.

At a meeting of its Board of Directors, the company decided to purchase all outstanding shares of Sanritsu Design (shares to be purchased: 40,000 shares, purchase price: undisclosed, share transfer date: October 4, 2018), and make Sanritsu Design a subsidiary.

Sanritsu Design has registered in its book some 40 engineers highly specialized in the fields of construction machinery and liquid crystals that are expected to continue to be in high demand. Strengths of Sanritsu Design's engineers lie in advanced plotting and design skills using latest 2D/3D CAD. As most engineers registered in the company's books for the Engineer Temporary Staffing business are young and inexperienced, the company can expect to complement its registered engineer base and strengthen technological capability through the acquisition. Further, because Sanritsu Design has a solid customer base comprising large companies such as Hitachi Group, the company can expect to expand its client base for its Engineer Temporary Staffing business.

Sanritsu Design's financial performance and position for the last three years (JPYmn)

Fiscal year	FY03/16	FY03/17	FY03/18
Net assets	393	39	91
Total assets	421	199	152
Sales	417	378	368
Operating profit	25	(390)	38
Recurring profit	28	(347)	52
Net income	20	(349)	52

On **September 28, 2018**, the company announced acquisition of shares in Neplus K.K., making it a subsidiary.

At a meeting of its Board of Directors, the company decided to purchase all outstanding shares of Neplus (shares to be purchased: 1,000 shares, purchase price: JPY2.0bn, share transfer date: October 1, 2018), and make Neplus a subsidiary.

Neplus sells and rents IT devices (mainly CISCO products) and dispatches IT engineers. While most engineers registered in the company's books for the Engineer Temporary Staffing business are young and inexperienced, Neplus mainly dispatches its engineers to companies involved in upstream processing (design and development) which requires a certain level of experience and know-how. Hence, the company can expect to complement its registered engineer base and strengthen technological capability through consolidating Neplus. Further, because Neplus dispatches engineers to multiple clients the company has not had businesses with, the company can expect to expand its customer base.

Neplus' financial performance and position for the last three years (JPYmn)

Fiscal year	FY12/15	FY12/16	FY12/17
Net assets	220	319	363
Total assets	503	613	644
Sales	1,142	1,149	1,272
Operating profit	93	147	68
Recurring profit	117	151	71
Net income	74	99	44

On **September 18, 2018**, Shared Research updated the report following interviews with the company.

On **September 13, 2018**, the company announced a monthly flash for August of FY09/18.

On **September 7, 2018**, the company announced revisions to its FY09/18 earnings forecasts.

Revised forecasts for FY09/18

- ▷ Sales: JPY39.0bn (versus previous forecast of JPY39.0bn)
- ▷ Operating profit: JPY5.4bn (versus JPY4.5bn)
- ▷ Recurring profit: JPY5.2bn (versus JPY4.5bn)
- ▷ Net income*: JPY3.7bn (versus JPY2.9bn)
- ▷ Earnings per share: JPY49.62 (versus JPY38.89)

*Net income refers to net income attributable to parent company shareholders.

Reason for forecast revision

The company attributed upward revision to its earnings forecasts to strong trends at its mainstay Construction Technician Temporary Staffing segment and smaller losses at the Other Businesses segment, where restructuring is running ahead of schedule, which together are more than enough to offset the downward revision to its earnings forecasts for the Engineer Temporary Staffing segment announced in August 2018.

On **the same day**, the company announced its new medium-term management plan covering FY09/19 through FY09/21. The new medium-term plan takes into account the external environment as well as prospective trends in sales and earnings.

Basic plan: Company moves up target date for reaching group-wide goal of 10,000 technicians, raises operating profit target to JPY10.0bn
 At its Construction Technician Temporary Staffing business, Yumeshin sees continued strong demand for construction site supervisors to meet the needs stemming from construction related to the 2020 Tokyo Olympics and Paralympics and the growing number of redevelopment projects being undertaken in the Greater Tokyo Area. The company also sees demand remaining strong after 2020 as redevelopment continues in the Greater Tokyo Area (with projects in such areas as Shinagawa, Yaesu, and Shibuya), aging infrastructure is replaced, and more redevelopment projects are undertaken in rural areas to create cities based on the "compact city" urban design concept. To keep up with the expected growth in demand, the company plans to maintain an annual hiring goal of more than 2,800 technicians with the aim of having 7,800 technicians registered in the company's books at the end of FY09/21.

At its Engineer Temporary Staffing business, Yumeshin sees the shortage of IT technicians growing even worse in light of the announcement by the Ministry of Economy, Trade and Industry that by the year 2030 they expected there to be a shortage of roughly 790,000 IT engineers in Japan alone. The shortage of IT engineers is expected to be felt more and more in the R&D departments of Japanese manufacturers as they step up efforts to develop new production automation and optimization technologies that make use of AI and IoT. To help meet those needs, during FY09/19 the company is planning to front-load spending at its administration, training, and sales departments to handle the increase in hiring and the addition to its engineering staff, with the goal of being able to consistently hire at least 2,000 engineers every year. The company's goal is to have at least 5,000 engineers on staff in its Engineer Temporary Staffing business by the end of FY09/21.

Under the previous medium-term management plan (announced in November 2017), the company had set its sights on a group-wide total of 10,000 technicians by the end of FY09/20. In its new medium-term plan, the company has moved up the

target date for achieving that goal to the end of FY09/20 and, based on this, has set a target for consolidated operating profit of JPY10.0bn in FY09/21.

Consolidated earnings forecasts under new medium-term plan

Earnings plan (JPYmn)	FY09/18 Est.	FY09/19 Target	FY09/20 Target	FY09/21 Target
Sales	39,000	50,000	63,500	76,200
YoY	27.8%	28.2%	27.0%	20.0%
Operating profit	5,400	6,000	8,000	10,000
YoY	128.6%	11.1%	33.3%	25.0%
OPM	13.8%	12.0%	12.6%	13.1%
Net income	3,700	4,100	5,400	6,800
YoY	159.5%	10.8%	31.7%	25.9%
Net margin	9.5%	8.2%	8.5%	8.9%

Targets under new medium-term plan for Construction Technician Temporary Staffing business

Construction Technician Temp. Staffing (JPYmn)	FY09/18 Est.	FY09/19 Target	FY09/20 Target	FY09/21 Target
No. of technicians hired	2,700	2,800	2,900	3,000
No. of technicians (year end)	5,200	5,900	6,800	7,800
Net increase	798	700	900	1,000
Sales	29,000	36,000	43,000	50,000
YoY	28.3%	24.1%	19.4%	16.3%
Operating profit	5,100	6,000	7,000	8,000
YoY	77.3%	17.6%	16.7%	14.3%
OPM	17.6%	16.7%	16.3%	16.0%

Targets under new medium-term plan for Engineer Temporary Staffing business

Engineer Temporary Staffing (JPYmn)	FY09/18 Est.	FY09/19 Target	FY09/20 Target	FY09/21 Target
No. of technicians hired	1,200	1,800	2,000	2,200
No. of technicians (year end)	2,400	3,400	4,400	5,500
Net increase	684	1,000	1,000	1,100
Sales	10,000	13,000	19,500	25,000
YoY	35.4%	30.0%	50.0%	28.2%
Operating profit	380	0	1,000	1,800
YoY	117.2%	n/a	n/a	80.0%
OPM	3.8%	0.0%	5.1%	7.2%

On **August 14, 2018**, the company announced a monthly flash for July of FY09/18.

On **August 10, 2018**, the company announced earnings results for Q3 FY09/18; see the results section for details.

On **the same day**, the company announced revisions to earnings forecasts of its subsidiary (Yume Technology Co., Ltd.) and the booking of extraordinary losses.

The company's consolidated subsidiary Yume Technology Co., Ltd. announced revisions to its FY09/18 full-year earnings forecasts and the booking of extraordinary losses.

The company stated that the impact from the above revisions on FY09/18 earnings will be minimal as the Construction Technician Temporary Staffing business (its core business) continues to be robust owing to an increase in the number of technicians and improved billing rates, which exceeded the company's assumptions. Yumeshin has also been moving up its initial plan to streamline unprofitable businesses.

For previous releases and developments, please refer to the News and topics section.

Trends and outlook

Monthly flash (Construction Technician Temporary Staffing business)

Sales (parent): Full-year FY09/18 Est. JPY29.0bn (+28.3% YoY)

(JPYmn)	Q1 (Oct-Dec)	Q2 (Jan-Mar)	Q3 (Apr-Jun)	Jul	Aug	Sep
FY09/17	5,278	5,623	5,540	1,980	2,006	2,177
FY09/18	7,017	7,374	7,468	2,589	2,529	2,685
YoY	33%	31%	34%	31%	26%	23%

Operating profit (parent): Full-year FY09/18 Est. JPY5.1bn (+77.3% YoY)

(JPYmn)	Q1 (Oct-Dec)	Q2 (Jan-Mar)	Q3 (Apr-Jun)	Jul	Aug	Sep
FY09/17	676	783	654	250	219	399
FY09/18	1,176	1,343	1,235	419	346	530
YoY	74%	71%	88%	67%	58%	33%
OPM (FY09/17)	12.8%	13.9%	11.8%	12.7%	10.9%	18.4%
OPM (FY09/18)	16.8%	18.2%	16.6%	16.2%	13.7%	19.8%

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Note: Cumulative figures for the previous fiscal year may differ from total monthly sales due to adjustments.

Note: The figures reported from this fiscal year are from the company's flash report.

Construction orders (JPYmn)

2018	Jan.-Mar.	Apr.-Jun.	Jul.-Sep.	Oct.-Dec.	Total
Total orders	22,144	19,464			
YoY	-1.7%	2.4%			
2017	Jan.-Mar.	Apr.-Jun.	Jul.-Sep.	Oct.-Dec.	Total
Total orders	22,536	19,002	21,565	20,631	83,734
YoY	-1.8%	-3.6%	-5.6%	-1.2%	-3.1%
2016	Jan.-Mar.	Apr.-Jun.	Jul.-Sep.	Oct.-Dec.	Total
Total orders	22,952	19,715	22,852	20,879	86,398
YoY	13.6%	4.2%	4.3%	0.6%	5.7%
2015	Jan.-Mar.	Apr.-Jun.	Jul.-Sep.	Oct.-Dec.	Total
Total orders	20,205	18,914	21,911	20,746	81,776
YoY	6.2%	5.2%	8.9%	7.2%	6.9%
2014	Jan.-Mar.	Apr.-Jun.	Jul.-Sep.	Oct.-Dec.	Total
Total orders	19,024	17,982	20,126	19,356	76,488
YoY	3.6%	9.0%	-8.7%	5.6%	1.7%
2013	Jan.-Mar.	Apr.-Jun.	Jul.-Sep.	Oct.-Dec.	Total
Total orders	18,357	16,493	22,034	18,338	75,222
YoY	10.3%	13.9%	21.0%	2.7%	6.6%
2012	Jan.-Mar.	Apr.-Jun.	Jul.-Sep.	Oct.-Dec.	Total
Total orders	16,646	14,480	18,209	17,862	70,544
YoY	47.5%	72.3%	63.2%	74.9%	71.8%
2011	Jan.-Mar.	Apr.-Jun.	Jul.-Sep.	Oct.-Dec.	Total
Total orders	11,285	8,404	11,158	10,210	41,057
YoY	0.6%	-5.6%	-2.4%	1.7%	-1.3%
2010	Jan.-Mar.	Apr.-Jun.	Jul.-Sep.	Oct.-Dec.	Total
Total orders	11,219	8,907	11,433	10,039	41,598
YoY	-0.1%	-3.0%	1.2%	0.5%	-0.3%
2009	Jan.-Mar.	Apr.-Jun.	Jul.-Sep.	Oct.-Dec.	Total
Total orders	11,235	9,183	11,293	9,992	41,703
YoY	-18.7%	-18.1%	-17.0%	-15.9%	-17.4%

Source: Shared Research based on *Current Survey on Orders Received for Construction*, Ministry of Land, Infrastructure, Transport and Tourism

Quarterly trends and results

Cumulative (JPYmm)	FY09/17				FY09/18				FY09/18	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	6,998	14,517	22,114	30,510	9,411	19,339	29,662		76.1%	39,000
YoY	30.5%	29.7%	30.5%	31.1%	34.5%	33.2%	34.1%			27.8%
Gross profit	2,018	4,259	6,379	8,781	2,880	5,950	9,109			
YoY	44.7%	35.7%	34.6%	33.8%	42.7%	39.7%	42.8%			
GPM	28.8%	29.3%	28.8%	28.8%	30.6%	30.8%	30.7%			
SG&A expenses	1,372	2,968	4,602	6,419	1,648	3,363	5,211			
YoY	44.9%	54.0%	56.7%	55.4%	20.1%	13.3%	13.2%			
SG&A ratio	19.6%	20.4%	20.8%	21.0%	17.5%	17.4%	17.6%			
Operating profit	646	1,290	1,777	2,362	1,232	2,587	3,898		72.2%	5,400
YoY	44.4%	6.5%	-1.3%	-2.9%	90.8%	100.5%	119.3%			128.6%
OPM	9.2%	8.9%	8.0%	7.7%	13.1%	13.4%	13.1%			13.8%
Recurring profit	724	1,369	1,850	2,424	1,204	2,558	3,640		70.0%	5,200
YoY	56.3%	10.5%	1.9%	-1.6%	66.3%	86.9%	96.8%			114.5%
RPM	10.3%	9.4%	8.4%	7.9%	12.8%	13.2%	12.3%			13.3%
Net income	427	823	1,081	1,426	958	1,872	2,716		73.4%	3,700
YoY	57.3%	-1.0%	-7.7%	-12.1%	124.5%	127.4%	151.9%			159.5%
Net margin	6.1%	5.7%	4.9%	4.7%	10.2%	9.7%	9.2%			9.5%

Quarterly (JPYmm)	FY09/17				FY09/18			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	6,998	7,519	7,596	8,397	9,411	9,928	10,324	
YoY	30.5%	28.9%	32.0%	32.8%	34.5%	32.0%	35.9%	
Gross profit	2,018	2,241	2,121	2,402	2,880	3,071	3,158	
YoY	44.7%	28.5%	32.6%	31.6%	42.7%	37.0%	48.9%	
GPM	28.8%	29.8%	27.9%	28.6%	30.6%	30.9%	30.6%	
SG&A expenses	1,372	1,596	1,633	1,817	1,648	1,715	1,848	
YoY	44.9%	62.9%	61.7%	52.4%	20.1%	7.5%	13.1%	
SG&A ratio	19.6%	21.2%	21.5%	21.6%	17.5%	17.3%	17.9%	
Operating profit	646	645	487	584	1,232	1,355	1,311	
YoY	44.4%	-15.7%	-17.2%	-7.7%	90.8%	110.2%	169.1%	
OPM	9.2%	8.6%	6.4%	7.0%	13.1%	13.7%	12.7%	
Recurring profit	724	644	481	574	1,204	1,353	1,082	
YoY	56.3%	-16.9%	-16.6%	-11.3%	66.3%	110.0%	125.0%	
RPM	10.3%	8.6%	6.3%	6.8%	12.8%	13.6%	10.5%	
Net income	427	396	259	345	958	914	844	
YoY	57.3%	-29.2%	-24.2%	-23.6%	124.5%	130.6%	226.4%	
Net margin	6.1%	5.3%	3.4%	4.1%	10.2%	9.2%	8.2%	

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.

Main components of SG&A expenses

Cumulative (JPYmm)	FY09/17				FY09/18			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
SG&A expenses	1,372	2,968	4,602	6,419	1,648	3,363	5,211	
YoY	44.9%	54.0%	56.7%	55.4%	20.1%	13.3%	13.2%	
Personnel expenses	608	1,291	2,039	2,822	793	1,582	2,427	
YoY	38.5%	43.3%	46.3%	47.1%	30.4%	22.5%	19.0%	
Hiring expenses	328	730	1,113	1,554	363	770	1,290	
YoY	51.2%	73.4%	73.4%	76.0%	10.7%	5.5%	15.9%	
Other	436	947	1,450	2,043	492	1,011	1,494	
YoY	49.8%	56.6%	60.8%	53.8%	12.8%	6.7%	3.0%	

Quarterly (JPYmm)	FY09/17				FY09/18			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
SG&A expenses	1,372	1,596	1,633	1,817	1,648	1,715	1,848	
YoY	44.9%	62.9%	61.7%	52.4%	20.1%	7.5%	13.1%	
Personnel expenses	608	683	748	783	793	789	845	
YoY	38.5%	47.8%	51.7%	49.1%	30.4%	15.5%	13.0%	
Hiring expenses	328	402	383	441	363	407	520	
YoY	51.2%	97.1%	73.3%	83.0%	10.7%	1.2%	35.8%	
Other	436	511	502	593	492	519	483	
YoY	49.8%	62.9%	69.5%	39.0%	12.8%	1.6%	-4.0%	

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.

Sales and profit by segment

Segment sales and profit (cumulative) (JPYmn)		FY09/17				FY09/18			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales		6,998	14,517	22,114	30,510	9,411	19,339	29,662	
YoY		30.5%	29.7%	30.5%	31.1%	34.5%	33.2%	34.1%	
Construction Technician Temporary Staffing		5,278	10,901	16,442	22,608	7,017	14,392	21,861	
YoY		31.1%	29.4%	29.5%	29.9%	32.9%	32.0%	33.0%	
Engineer Temporary Staffing		1,659	3,429	5,331	7,368	2,281	4,760	7,507	
YoY		24.7%	24.4%	25.9%	27.0%	37.5%	38.8%	40.8%	
Operating profit		646	1,290	1,777	2,362	1,232	2,587	3,898	
YoY		44.4%	6.5%	-1.3%	-2.9%	90.8%	100.5%	119.3%	
Construction Technician Temporary Staffing		676	1,460	2,114	2,877	1,176	2,520	3,755	
YoY		74.8%	36.6%	31.6%	30.0%	73.9%	72.6%	77.6%	
Profit margin		12.8%	13.4%	12.9%	12.7%	16.8%	17.5%	17.2%	
Engineer Temporary Staffing		123	183	173	178	182	281	415	
YoY		37.2%	-12.0%	-39.7%	-59.2%	47.7%	53.6%	139.9%	
Profit margin		7.4%	5.3%	3.2%	2.4%	8.0%	5.9%	5.5%	
Quarterly (JPYmn)		FY09/17				FY09/18			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales		6,998	7,519	7,596	8,397	9,411	9,928	10,324	
YoY		30.5%	28.9%	32.0%	32.8%	34.5%	32.0%	35.9%	
Construction Technician Temporary Staffing		5,278	5,623	5,541	6,166	7,017	7,375	7,469	
YoY		31.1%	27.8%	29.8%	31.0%	32.9%	31.2%	34.8%	
Engineer Temporary Staffing		1,659	1,770	1,902	2,037	2,281	2,479	2,747	
YoY		24.7%	24.1%	28.6%	29.9%	37.5%	40.1%	44.4%	
Operating profit		646	645	487	584	1,232	1,355	1,311	
YoY		44.4%	-15.7%	-17.2%	-7.7%	90.8%	110.2%	169.1%	
Construction Technician Temporary Staffing		676	784	654	763	1,176	1,344	1,235	
YoY		74.8%	14.9%	21.6%	25.9%	73.9%	71.5%	88.8%	
Profit margin		12.8%	13.9%	11.8%	12.4%	16.8%	18.2%	16.5%	
Engineer Temporary Staffing		123	60	-10	5	182	99	134	
YoY		37.2%	-49.4%	-112.7%	-96.9%	47.7%	65.5%	-1440.0%	
Profit margin		7.4%	3.4%	-0.5%	0.2%	8.0%	4.0%	4.9%	

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Construction Technician Temporary Staffing segment earnings

Cumulative (JPYmn)		FY09/17				FY09/18			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales		5,278	10,901	16,442	22,608	7,017	14,392	21,861	
YoY		31.1%	29.4%	29.5%	29.9%	32.9%	32.0%	33.0%	
Gross profit		1,573	3,320	4,944	6,816	2,230	4,677	7,116	
YoY		49.1%	37.8%	35.5%	35.5%	41.8%	40.9%	43.9%	
GPM		29.8%	30.5%	30.1%	30.1%	31.8%	32.5%	32.6%	
SG&A expenses		897	1,860	2,830	3,939	1,054	2,157	3,361	
YoY		34.2%	38.7%	38.5%	39.8%	17.5%	16.0%	18.8%	
SG&A ratio		17.0%	17.1%	17.2%	17.4%	15.0%	15.0%	15.4%	
Operating profit		676	1,460	2,114	2,877	1,176	2,520	3,755	
YoY		74.8%	36.6%	31.6%	30.0%	73.9%	72.6%	77.6%	
OPM		12.8%	13.4%	12.9%	12.7%	16.8%	17.5%	17.2%	
Quarterly (JPYmn)		FY09/17				FY09/18			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales		5,278	5,623	5,541	6,166	7,017	7,375	7,469	
YoY		31.1%	27.8%	29.9%	31.0%	32.9%	31.2%	34.8%	
Gross profit		1,573	1,746	1,623	1,871	2,230	2,447	2,439	
YoY		49.1%	28.9%	31.0%	35.5%	41.8%	40.1%	50.3%	
GPM		29.8%	31.1%	29.3%	30.3%	31.8%	33.2%	32.7%	
SG&A expenses		897	963	970	1,109	1,054	1,103	1,204	
YoY		34.2%	43.1%	38.3%	43.2%	17.5%	14.5%	24.1%	
SG&A ratio		17.0%	17.1%	17.5%	18.0%	15.0%	15.0%	16.1%	
Operating profit		676	784	654	763	1,176	1,344	1,235	
YoY		74.8%	14.9%	21.6%	25.9%	73.9%	71.5%	88.8%	
OPM		12.8%	13.9%	11.8%	12.4%	16.8%	18.2%	16.5%	

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Number of technicians in Construction Technician Temporary Staffing

Cumulative	FY09/17				FY09/18			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
No. of technicians (quarter end)	3,578	3,865	3,992	4,402	4,629	4,852	4,978	
New hires	533	1,155	1,865	2,666	695	1,371	2,087	
Departures	289	624	1,207	1,598	468	921	1,511	
Retention rate	71.5%	73.0%	72.6%	72.8%	72.3%	72.1%	72.2%	
Quarterly	FY09/17				FY09/18			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
New hires	533	622	710	801	695	676	716	
Departures	289	335	583	391	468	453	590	
Retention rate	71.5%	74.4%	71.8%	73.4%	72.3%	71.9%	72.4%	

Source: Shared Research based on company data

Note: Retention rate: Number of technicians at quarter end / (Number of technicians at end previous year's quarter + cumulative annual new hires)

Construction Technician Temporary Staffing sales metrics

Cumulative	FY09/17				FY09/18			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
No. of technicians (average)	3,503	3,642	3,748	3,889	4,575	4,686	4,767	
YoY	22.5%	25.2%	27.1%	28.5%	30.6%	28.7%	27.2%	
Utilization rate	93.3%	93.0%	92.4%	92.2%	94.9%	94.6%	94.1%	
YoY change	0.0pp	0.0pp	0.0pp	0.0pp	0.0pp	0.0pp	0.0pp	
Average hours per day	9.72	9.70	9.63	9.61	9.61	9.64	9.59	
YoY	-0.2%	-0.7%	-1.0%	-0.9%	-1.1%	-0.6%	-0.4%	
Average hourly wage (JPY)	2,773	2,791	2,794	2,797	2,844	2,859	2,879	
YoY	6.4%	6.1%	3.8%	3.4%	2.6%	2.4%	3.0%	
Quarterly	FY09/17				FY09/18			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
No. of technicians (average)	3,503	3,782	3,960	4,310	4,575	4,797	4,737	
YoY	22.5%	27.8%	30.6%	32.2%	30.6%	26.8%	19.6%	
Utilization rate	93.3%	92.7%	91.1%	91.8%	94.9%	94.3%	93.9%	
YoY change	0.0pp	0.0pp	0.0pp	0.0pp	0.0pp	0.0pp	0.0pp	
Average hours per day	9.72	9.69	9.47	9.54	9.61	9.67	9.51	
YoY	-0.2%	-1.5%	-1.4%	-0.8%	-1.1%	-0.2%	0.4%	
Average hourly wage (JPY)	2,773	2,808	2,802	2,803	2,844	2,874	2,884	
YoY	6.4%	3.7%	1.3%	2.1%	2.6%	2.4%	2.9%	
New hires, % of total employees	45.4%	47.1%	45.9%	47.2%	47.1%	46.2%	44.1%	

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Average wages based on years of employment in the Construction Technician Temporary Staffing segment

Cumulative (average) (JPY/hour)	FY09/17				FY09/18			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
First year	2,540	2,559	2,554	2,556	2,614	2,629	2,645	
YoY	9.2%	7.0%	4.8%	4.2%	2.9%	2.7%	3.6%	
Second year	2,922	2,927	2,930	2,942	3,023	3,024	3,033	
YoY	5.3%	4.6%	3.3%	3.1%	3.5%	3.3%	3.5%	
Third year	3,082	3,081	3,098	3,113	3,166	3,162	3,174	
YoY	0.6%	0.5%	1.2%	1.6%	2.7%	2.6%	2.5%	
Fourth year and beyond	3,483	3,465	3,456	3,461	3,498	3,498	3,511	
YoY	2.2%	1.3%	0.5%	0.3%	0.4%	1.0%	1.6%	
Quarterly (average) (JPY/hour)	FY09/17				FY09/18			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
First year	2,540	2,578	2,549	2,562	2,614	2,644	2,661	
YoY	9.2%	5.0%	0.8%	2.4%	2.9%	2.6%	4.4%	
Second year	2,922	2,932	2,933	2,978	3,023	3,025	3,042	
YoY	5.3%	3.9%	0.8%	2.5%	3.5%	3.2%	3.7%	
Third year	3,082	3,080	3,115	3,158	3,166	3,158	3,186	
YoY	0.6%	0.3%	2.1%	2.9%	2.7%	2.5%	2.3%	
Fourth year and beyond	3,483	3,447	3,447	3,476	3,498	3,498	3,524	
YoY	2.2%	0.5%	-0.9%	-0.3%	0.4%	1.5%	2.2%	

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Note: Shared Research calculated quarterly averages from cumulative figures.

Engineer Temporary Staffing (Yume Technology Co., Ltd.) segment earnings

Cumulative (JPYmn)	FY09/17				FY09/18			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	1,659	3,430	5,332	7,385	2,281	4,761	7,507	
YoY	24.7%	24.4%	25.9%	27.2%	37.5%	38.8%	40.8%	
Gross profit	433	880	1,305	1,763	609	1,193	1,854	
YoY	29.6%	23.1%	22.2%	19.2%	40.6%	35.5%	42.1%	
GPM	26.1%	25.7%	24.5%	23.9%	26.7%	25.1%	24.7%	
SG&A expenses	310	695	1,134	1,588	440	928	1,471	
YoY	28.2%	37.4%	44.4%	51.9%	42.2%	33.5%	29.8%	
SG&A ratio	18.7%	20.3%	21.3%	21.5%	19.3%	19.5%	19.6%	
Operating profit	123	185	172	175	168	264	383	
YoY	33.3%	-11.4%	-39.5%	-59.6%	36.5%	43.0%	123.1%	
OPM	7.4%	5.4%	3.2%	2.4%	7.4%	5.6%	5.1%	
Segment profit	123	183	173	178	182	281	415	
Quarterly (JPYmn)	FY09/17				FY09/18			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	1,659	1,771	1,903	2,053	2,281	2,479	2,747	
YoY	24.7%	24.2%	28.6%	30.9%	37.5%	40.0%	44.4%	
Gross profit	433	447	425	457	609	584	662	
YoY	29.6%	17.4%	20.2%	11.5%	40.6%	30.5%	55.7%	
GPM	26.1%	25.3%	22.3%	22.3%	26.7%	23.5%	24.1%	
SG&A expenses	310	386	438	454	440	488	543	
YoY	28.2%	45.8%	57.2%	74.3%	42.2%	26.5%	23.9%	
SG&A ratio	18.7%	21.8%	23.0%	22.1%	19.3%	19.7%	19.8%	
Operating profit	123	62	-13	3	168	96	119	
YoY	33.3%	-47.0%	-117.5%	-97.9%	36.5%	55.9%	-1003.7%	
OPM	7.4%	3.5%	-0.7%	0.2%	7.4%	3.9%	4.3%	
Segment profit	123	60	-10	5	182	99	134	

Source: Shared Research based on Yume Technology data

Note: Figures may differ from company materials due to differences in rounding methods.

Note: Figures are consolidated from FY09/18 onward. Previous figures are non-consolidated. YoY comparisons for FY09/18 are for reference purposes only.

Q3 FY09/18 results

- ▷ **Sales:** JPY29.7bn (+34.1% YoY)
- ▷ **Operating profit:** JPY3.9bn (+119.3% YoY)
- ▷ **Recurring profit:** JPY3.6bn (+96.8% YoY)
- ▷ **Net income*:** JPY2.7bn (+151.1% YoY)

*Net income refers to net income attributable to parent company shareholders.

Sales increased on growth in the Construction Technician Temporary Staffing and Engineer Temporary Staffing segments accompanying an increase in the number of technicians. Profits rose owing to higher billing and staff utilization rates in the Construction Technician Temporary Staffing segment, and limited cost increase as measures to control costs (including hiring expenses) proved successful.

Along with the Q3 FY09/18 results, the company announced revisions to its full-year FY09/18 forecasts. Cumulative Q3 sales reached 76.1% of the revised forecasts (cumulative Q3 FY09/17 sales amounted to 72.5% of the full-year FY09/17 results), operating profit 72.2% (75.3% in Q3 FY09/17 versus full-year FY09/17 results), recurring profit 70.0% (76.3% in Q3 FY09/17 versus full-year FY09/17 results), and net income attributable to parent company shareholders 73.4% (75.8% in Q3 FY09/17 versus full-year FY09/17 results).

The overview by segment is as follows. Note that figures for segment profit and loss are adjusted to operating profit. The company reclassified its reportable segments from Q1 FY09/18, and YoY comparisons are based on previous year figures that have been adjusted in accordance with the new business segmentation.

Construction Technician Temporary Staffing

- ▷ **Sales:** JPY21.9bn (+33.0% YoY)
- ▷ **Segment profit:** JPY3.8bn (+77.6% YoY)

Due to an aging workforce and shortage of young workers, dispatch demand at general contractors remained firm. The company focused on hiring, with a target of 2,500 technicians over the year, as major construction projects related to the 2020 Tokyo Olympic and Paralympic Games and to the Linear Chuo Shinkansen got into full swing.

Construction Temporary Staffing business: sales and key metrics of sales performance

Sales increased as the company hired more technicians—leading to an increase in the number of technicians utilized (higher utilization rate)—and increased its billing rates for temporary staff.

As for the key metrics of sales performance, the average number of technicians was up 27.2% YoY, the staff utilization rate was up 1.7pp YoY, the average number of hours worked per day was down 0.4%, and the average hourly billing rate of technicians on assignment was up 3.0%

The company focused on hiring and, as a result, it hired 2,087 new technicians in cumulative Q3 FY09/18 (1,865 in Q3 FY09/17). The number of technicians registered in the company's books as of end-June 2018 was 4,978 (+986 YoY). The retention rate fell 0.4pp YoY from 72.6% to 72.2% in Q3 FY09/18, but remained above the company's target of 70%. According to Yumeshin, various post-hiring follow-up strategies such as a counseling system for employees using smartphone apps, improved training as well as clubs activities have increased connections between the company and its employees.

The staff utilization rate (number of technicians on assignment/total number of technicians) rose 1.7pp YoY from 92.4% to 94.1%. In Q3 (April–June 2018), the staff utilization rate rose 2.0pp YoY from 91.1% to 93.1%. According to the company, Q3 coincides with the slow season for construction worker demand, and therefore tends to be accompanied by a decline in the staff utilization rate compared to other quarters. To minimize the effects of the off-season in Q3, the company capped hiring growth at 0.8% YoY in Q3 (+11.9% in cumulative Q3).

The average number of hours worked per day was 9.59 hours, down 0.4% YoY (-0.04 hours). The decline in work hours reflected the government's recent push for shorter working hours and improved conditions.

Average hourly billing rate for technicians on assignment was JPY2,879 (+JPY85 YoY or +3.0% YoY). The ratio of first year technicians whose average hourly billing rates are relatively low was 44.1% (-1.8pp YoY). Hourly billing rates for the technicians in all age groups increased; by age group, average hourly billing rates for first-year technicians were up 3.6% YoY, second-year up 3.5% YoY, third-year up 2.5% YoY, and four-plus years was up 1.6% YoY. Given the robust demand for construction technician staffing, hourly billing rates have been on an upward trend. In Q3 (April–June 2018), the average hourly billing rate for technicians on assignment was JPY2,919 (+JPY117 or +4.2% YoY), exceeding the growth for cumulative Q3 FY09/18. The company had been requesting increases in hourly billing rates as part of its sales activities, but as many of its customers close their books in March, these increases only became apparent from Q3, which corresponds to the start of the new fiscal year for its customers.

Construction Technician Temporary Staffing: Gross profit and SG&A expenses

The segment's gross profit margin rose to 32.6% (+2.5pp YoY) owing to improved staff utilization rates and billing rates. Gross profit increased to JPY7.1bn (+43.9% YoY) on higher sales and the improvement in the gross margin.

SG&A expenses were JPY3.4bn (+18.8% YoY), and the SG&A-to-sales ratio was 15.4% (-1.8pp YoY). In addition to a YoY increase in hiring costs, personnel expenses increased due to a growing sales staff, but a higher job offer acceptance rate contributed to effective recruitment. Consequently, the increase in SG&A expenses (+18.8%) lagged sales growth (+33.0%). Hiring costs per person fell to JPY425,000 (JPY419,000 in FY09/17). The company conducted online advertising and other initiatives to prepare for hiring in FY09/19 and beyond, but efficient recruiting activities kept the hiring cost per person more or less unchanged YoY.

Segment profit (operating profit) increased due to the sales growth effects noted above, higher GPM, and curbs on increases in SG&A expenses. The segment operating profit margin rose 4.3pp YoY to 17.2%.

Engineer Temporary Staffing

- ▷ **Sales:** JPY7.5bn (+40.8% YoY)
- ▷ **Segment profit:** JPY415mn (+139.9% YoY)

As overseas economies improved, exports were robust and the business environment improved for automobile, electronic equipment, and semiconductor manufacturers, core clients for Yumeshin. The company dispatches IT engineers in the IT industry, where high investment demand has continued for infrastructure building and IT security. Investment has also increased for areas of leading-edge IT, such as the Internet of Things and artificial intelligence.

Under these conditions, the company set a yearly hiring plan of 1,200 engineers and focused on hiring activities in order to respond to the growing demand for engineers. In Q3 FY09/18, the company hired 732 engineers (77 engineers in Q3 FY09/17) and the number of engineers registered in the company's books as of end-June 2018 was 2,158 (+599 YoY).

Sales were up due to the increase in engineers. As for the key metrics of sales performance, the average number of engineers was up 45.9% YoY, the staff utilization rate was up 0.8pp. Sales per engineer amounted to JPY3.9mn (-3.5% YoY). With the strategic recruitment of technical support engineers beginning in FY09/17, the proportion of engineers with a relatively low billing rate increased, resulting in a decrease in sales per engineer.

Middle- and low-end engineers mainly manage and operate business systems, including design and development, development evaluation and testing, and quality evaluation of semiconductors, electrical and electronic apparatuses, machinery, information and chemistry. In addition to general affairs, technical support engineers mainly handle installation of IT products and troubleshooting.

In cumulative Q3 FY09/18, the company hired a total of 732 engineers (versus 655 in cumulative Q3 FY09/17), 59.6% of whom were women and 6.0% foreign nationals. The average number of engineers was 1,941 (versus 1,330 in cumulative Q3 FY09/17), and the number of engineers on the company's books at the end of June 2018 was 2,158 (versus 1,559 at the end of June 2017).

The staff utilization rate of 91.8% was up 0.8pp from 91.0%. In 1H FY09/18, temporary staff redundancies due to an increase in hiring staff compared to 1H FY09/17 pushed down the staff utilization rate. In cumulative Q3 FY09/18, the staff utilization rate increased as the number of new hires in Q3 (April–June) was kept below the year-earlier level.

The segment's gross profit rose 42.1% YoY to JPY1.9bn. The gross profit margin increased 0.2pp to 24.7% thanks to an improved staff utilization rate.

SG&A expenses rose 29.8% YoY to JPY1.5bn and the SG&A-to-sales ratio fell 1.7pp YoY to 19.6%. In Q4 (July–September), Yumeshin expects hiring costs to increase as it looks to raise its number of engineers, and it plans to expand administrative and sales staff to prepare for future expansion in the number of engineers.

As a result, the segment saw a YoY increase in operating profit while operating profit margin rose 1.9pp YoY to 5.1%.

In July 2018, Yumeshin announced plans to convert Centurion Capital Pacific Limited (P4U) into a subsidiary. P4U is a special purpose entity that holds the shares of P3OPLE4U, Inc., a company that mainly provides IT engineer staffing services in the Philippines. Yumeshin plans to acquire the shares in P4U in Q1 FY09/19. In FY12/17, P4U reported sales of JPY490mn and operating profit of JPY82mn.

Other

- ▷ **Sales:** JPY351mn (-19.7% YoY)
- ▷ **Segment loss:** JPY206mn (JPY413mn operating loss in Q3 FY09/17)

In the Other segment, the company introduces personnel to various companies in the construction and manufacturing industries and provides hiring support services to Japanese companies which are seeking local personnel in Vietnam.

For details on previous quarterly and annual results, please refer to the Historical financial statements section.

Full-year company forecasts

FY09/18 forecasts

(JPYmn)	FY09/17			FY09/18 Est.		
	1H Act.	2H Act.	FY Act.	1H Act.	2H Est.	FY Est.
Sales	14,517	15,993	30,510	19,339	19,661	39,000
YoY	29.7%	32.4%	31.1%	33.2%	22.9%	27.8%
Cost of sales	10,259	11,471	21,730	13,388		
Gross profit	4,259	4,522	8,781	5,950		
YoY	35.7%	32.1%	33.8%	39.7%		
GPM	29.3%	28.3%	28.8%	30.8%		
SG&A expenses	2,968	3,451	6,419	3,363		
SG&A ratio	20.4%	21.6%	21.0%	17.4%		
Operating profit	1,290	1,072	2,362	2,587	2,813	5,400
YoY	6.5%	-12.3%	-2.9%	100.5%	162.5%	128.6%
OPM	8.9%	6.7%	7.7%	13.4%	14.3%	13.8%
Recurring profit	1,369	1,055	2,424	2,558	2,642	5,200
YoY	10.5%	-13.8%	-1.6%	86.9%	150.4%	114.5%
RPM	9.4%	6.6%	7.9%	13.2%	13.4%	13.3%
Net income	823	603	1,426	1,872	1,828	3,700
YoY	-1.0%	-23.8%	-12.1%	127.4%	203.1%	159.5%

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Targets under medium-term plan for Construction Technician Temporary Staffing business

Construction Technician Temporary Staffing (JPYmn)	FY09/17 Target	FY09/18 Target
Annual hiring	2,666	2,700
No. of technicians (year-end)	4,402	5,200
Net increase YoY	1,068	798
Sales	22,608	29,000
YoY	29.9%	28.3%
Operating profit	2,877	5,100
YoY	30.0%	77.3%
OPM	12.7%	17.6%

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Targets under medium-term plan for Engineer Temporary Staffing business

Engineer Temporary Staffing (JPYmn)	FY09/17 Target	FY09/18 Target
Annual hiring	941	1,200
No. of technicians (year-end)	1,716	2,400
	585	684
Sales	7,385	10,000
YoY	27.2%	35.4%
Operating profit	175	380
YoY	-59.6%	117.2%
OPM	2.4%	3.8%

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Yumeshin revised its forecasts for FY09/18 and is now forecasting sales of JPY39.0bn (+27.8% YoY), operating profit of JPY5.4bn (+128.6% YoY), recurring profit of JPY5.2bn (+114.5% YoY), and net income attributable to parent company shareholders of JPY3.7bn (+159.5%).

Compared to the previous forecasts, the company made no changes to its sales forecast, but it revised up operating profit by JPY900mn, recurring profit by JPY700mn, and net income attributable to parent company shareholders by JPY800mn. It lowered its forecasts for the Engineer Temporary Staffing business, but this was offset by strong momentum at its Construction Technician Temporary Staffing segment and smaller losses at the Other Businesses segment, where restructuring is running ahead of schedule.

Construction Technician Temporary Staffing

For FY09/18, the company is now forecasting full-year segment sales of JPY29.0bn (+28.3% YoY) and operating profit of JPY5.1bn (+77.3% YoY).

Technician hires and the retention rate are both tracking above previous forecasts, and Yumeshin expects the number of technicians registered in the company's books at the end of FY09/18 to exceed its original target of 5,100. As a result, it sees sales reaching JPY29.0bn, topping its previous forecast by about JPY1.0bn. On the profit front, the company looks for rises in the staff utilization rate and the billing rate to support an increase of over 2pp in the GPM. In addition, it expects SG&A expenses to only rise modestly thanks to strict budget controls for hiring costs and to low-cost administrative operations. Accordingly, the company expects operating profit to finish at JPY5.1bn, JPY900mn ahead of its previous forecast.

Key assumptions underlying the sales forecast are detailed below, including the company's assumptions with respect to the number of technicians, staff utilization rates, and billing rates.

Number of technicians

During FY09/18 the company expects to hire 2,700 construction technicians; this compares with actual hires of 2,666 during FY09/17. Hiring costs for each new hire are expected to average JPY400,000 versus JPY420,000 in FY09/17. The company is assuming a retention rate (number of technicians at period-end/ (number at end of previous period + new hires during current period)) of at least 71% versus 72.8% in FY09/17; this would bring the number of construction technicians registered in the company's books at the end of FY09/18 to 5,200 (an increase of 798 or 18.1% versus the end of FY09/17). To keep up retention rates, the company plans to continue the measures put in place last year to improve follow-up and mentoring with new technicians, career planning, and company-sponsored trips to training seminars.

Staff utilization rates

The company is looking to improve its staff utilization by cutting back on new hiring during April–June quarter, the slow season for construction work. This will minimize the temporary, seasonal drop in the utilization rate at that time. The company will also step up marketing efforts at its regional offices.

Billing rates

To keep up its billing rates, the company plans to consistently provide follow-up training for its staff technicians in order to increase their value-added.

Engineer Temporary Staffing business

For consolidated subsidiary Yume Technology, the company is now forecasting full-year FY09/18 sales of JPY10.0bn (+35.4% YoY) and operating profit of JPY380mn (+117.2% YoY). The forecast for higher sales and earnings in FY09/18 reflects the hiring of 941 new engineers during FY09/17, bringing the total number of employees at the end of FY09/17 to 1,716.

In August 2018, Yume Technology announced a revision to its full-year FY09/18 earnings forecasts. Compared to the previous forecasts, the company made no changes to its sales forecast, but it revised down operating profit by JPY270mn, recurring profit by JPY250mn, and net income attributable to parent company shareholders by JPY230mn. The revisions mainly reflect an anticipated increase in hiring costs as the company looks to increase its number of engineers. In addition, the company assumes the increased number of engineers will temporarily push down the staff utilization rate, which in turn will lower GPM.

After hiring 941 new engineers in FY09/17, Yume Technology is looking to hire 1,200 more engineers during FY09/18. With this, it aims to have 2,400 engineers registered in the company's books at the end of FY09/18 (a 39.9% increase over 1,716 at the end of FY09/17).

Long-term outlook

In September 2018, Yumeshin announced a new medium-term management plan covering FY09/19 through FY09/21.

Consolidated earnings forecasts under medium-term plan

Earnings plan (JPYmn)	FY09/18	FY09/19	FY09/20	FY09/21
	Est.	Target	Target	Target
Sales	39,000	50,000	63,500	76,200
YoY	27.8%	28.2%	27.0%	20.0%
Operating profit	5,400	6,000	8,000	10,000
YoY	128.6%	11.1%	33.3%	25.0%
OPM	13.8%	12.0%	12.6%	13.1%
Net income	3,700	4,100	5,400	6,800
YoY	159.5%	10.8%	31.7%	25.9%
Net margin	9.5%	8.2%	8.5%	8.9%

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Targets under medium-term plan for Construction Technician Temporary Staffing business

Construction Technician Temp. Staffing (JPYmn)	FY09/18	FY09/19	FY09/20	FY09/21
	Est.	Target	Target	Target
No. of technicians hired	2,700	2,800	2,900	3,000
No. of technicians (year end)	5,200	5,900	6,800	7,800
Net increase	798	700	900	1,000
Sales	29,000	36,000	43,000	50,000
YoY	28.3%	24.1%	19.4%	16.3%
Operating profit	5,100	6,000	7,000	8,000
YoY	77.3%	17.6%	16.7%	14.3%
OPM	17.6%	16.7%	16.3%	16.0%

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Targets under medium-term plan for Engineer Temporary Staffing business

Engineer Temporary Staffing (JPYmn)	FY09/18	FY09/19	FY09/20	FY09/21
	Est.	Target	Target	Target
No. of technicians hired	1,200	1,800	2,000	2,200
No. of technicians (year end)	2,400	3,400	4,400	5,500
Net increase	684	1,000	1,000	1,100
Sales	10,000	13,000	19,500	25,000
YoY	35.4%	30.0%	50.0%	28.2%
Operating profit	380	0	1,000	1,800
YoY	117.2%	n/a	n/a	80.0%
OPM	3.8%	0.0%	5.1%	7.2%

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Overview of new medium-term management plan

Basic plan: Moves up target date for reaching group-wide goal of 10,000 technicians, raises operating profit target to JPY10.0bn

Under the previous medium-term management plan (announced in November 2017), the company had set its sights on a group-wide total of 10,000 technicians by the end of FY09/20. In its new medium-term plan, the company has moved up the target date for achieving that goal to the end of FY09/20 and, based on this, has set a target for consolidated operating profit of JPY10.0bn in FY09/21.

The company aims to expand its business and cater to demand for technician temporary staffing services in the construction, manufacturing, and IT industries by aggressively stepping up hiring not only in its mainstay Construction Technician Temporary Staffing business but also in its Engineer Temporary Staffing business.

The overview by segment is as follows.

Construction Technician Temporary Staffing

At its Construction Technician Temporary Staffing business, Yumeshin sees continued strong demand for construction site supervisors to meet the needs stemming from construction related to the 2020 Tokyo Olympics and Paralympics and the growing number of redevelopment projects being undertaken in the Greater Tokyo Area. The company also sees demand remaining strong after 2020 as redevelopment continues in the Greater Tokyo Area (with projects in such areas as Shinagawa, Yaesu, and Shibuya), aging infrastructure is replaced, and more redevelopment projects are undertaken in rural areas to create cities based on the "compact city" urban design concept. To keep up with the expected growth in demand, the company plans to maintain an annual hiring goal of more than 2,800 technicians with the aim of having 7,800 technicians registered in the company's books at the end of FY09/21.

Engineer Temporary Staffing business

At its Engineer Temporary Staffing business, Yumeshin sees the shortage of IT technicians growing even worse in light of the announcement by the Ministry of Economy, Trade and Industry that by the year 2030 they expected there to be a shortage of roughly 790,000 IT engineers in Japan alone. The shortage of IT engineers is expected to be felt more and more in the R&D departments of Japanese manufacturers as they step up efforts to develop new production automation and optimization technologies that make use of AI and IoT. To help meet those needs, during FY09/19 the company is planning to front-load spending at its administration, training, and sales departments to handle the increase in hiring and the addition to its engineering staff, with the goal of being able to consistently hire at least 2,000 engineers every year.

The company's goal is to have at least 5,000 engineers on staff by the end of FY09/21. Under the previous medium-term management plan (announced in November 2017), the company had set its sights on a group-wide total of 10,000 technicians by the end of FY09/20. In its new medium-term plan, the company has moved up the target date for achieving that goal to the end of FY09/20 and, based on this, has set a target for consolidated operating profit of JPY10.0bn in FY09/21.

Business

Business description

Yumeshin's main segment is Construction Technician Temporary Staffing, and it also has an Engineer Temporary Staffing and other businesses.

Segment, company, and business

Segment	Company	Business
Construction Technician Temporary Staffing	Yumeshin Holdings Co., Ltd.	Staff construction supervisors and technicians; draft and sell blueprints
Engineer Temporary Staffing	Yume Technology Co., Ltd. Krung thep Co., Ltd. Yume Education Co., Ltd.	Dispatching of engineers to the manufacturing and IT industries Engineer staffing services in design and development fields Nurturing of advanced IT engineers
Other Businesses	Yume Agent Co., Ltd.	Recruitment services for construction and manufacturing industries
	Yumeagent Philippines Corp.	Japanese language education for local human resources in the Philippines
	Yumeagent Vietnam Co., Ltd.	Hiring support for human resources in Vietnam
	Yume Education Co., Ltd.	Nurturing of advanced IT engineers
	Construction Industry Certification Promotion Center	Seminars for candidates taking various national certification tests for construction industry-related occupations
	Yume Solutions Co., Ltd.	Offshore development work in Vietnam

Earnings by segment

	FY09/10	FY09/11	FY09/12	FY09/13	FY09/14	FY09/15	FY09/16	FY09/17
(JPYmn)	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
Sales	4,862	6,817	10,982	12,538	16,482	21,116	23,271	30,510
YoY	-11.3%	40.2%	61.1%	14.2%	31.5%	28.1%	10.2%	31.1%
Construction Technician Temp. Staffing	4,552	5,268	6,472	8,163	11,731	13,855	17,401	22,608
YoY	-10.9%	15.7%	22.9%	26.1%	43.7%	18.1%	25.6%	29.9%
% of sales	93.6%	77.3%	58.9%	65.1%	71.2%	65.6%	74.8%	74.1%
Engineer Temporary Staffing	-	1,210	4,109	3,911	4,189	4,773	5,803	7,368
YoY	-	-	239.6%	-4.8%	7.1%	13.9%	21.6%	27.0%
Total segment profit	619	732	1,440	1,610	2,135	1,824	2,558	2,493
YoY	7.9%	1.5%	6.7%	11.1%	13.6%	-	40.2%	-2.5%
Construction Technician Temp. Staffing	693	773	1,172	1,231	1,703	1,733	2,213	2,877
YoY	-	11.5%	51.7%	5.1%	38.3%	-	27.6%	30.0%
Profit margin	15.2%	14.7%	18.1%	15.1%	14.5%	12.5%	12.7%	12.7%
% of total segment profit								115.4%
Engineer Temporary Staffing	-	-1	243	302	374	479	436	178
YoY	-	-	-	24.5%	23.8%	-	-9.1%	-59.2%
Profit margin	-	-	5.9%	7.7%	8.9%	10.0%	7.5%	2.4%
Amortization of goodwill	-1	-30	-83	-83	-76	-103	-132	-196
Company-wide expenses	-66	-251	-61	245	877	6	7	65
Operating profit	520	543	1,195	1,230	1,857	1,727	2,433	2,362
YoY	-31.2%	4.4%	120.1%	3.0%	51.0%	-7.0%	40.9%	-2.9%
OPM	10.7%	8.0%	10.9%	9.8%	11.3%	8.2%	10.5%	7.7%
Recurring profit	552	451	1,296	1,771	2,952	1,960	2,463	2,424
YoY	-31.6%	-18.3%	187.2%	36.7%	66.7%	-33.6%	25.7%	-1.6%
RPM	11.4%	6.6%	11.8%	14.1%	17.9%	9.3%	10.6%	7.9%

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Note: Following change in reporting segments in FY09/18, the company is now reporting using the following three segments: Construction Technician Temporary Staffing, Engineer Temporary Staffing, and Other Businesses.

Note: Until FY09/14 segment profit was adjusted with recurring profit. After FY09/15, these figures are adjusted with operating profit.

Construction Technician Temporary Staffing

The parent company, Yumeshin Holdings, runs this core business. Construction Technician Temporary Staffing can be further subdivided into construction and technical support services, and drawing and blueprint production.

With construction companies as main clients, dispatches full-time employees under “specific temporary staffing”

The company is engaged in so-called “specific temporary staffing.” It signs a worker staffing agreement with a client and dispatches its own full-time employees to perform the job on client sites. The client directly manages the staff and can utilize them for the duration of an assignment. This form of employment relationship is legally different from so-called “general temporary staffing” when workers register as “temporary staff” with the service provider.

In construction, timing of orders is uncertain, site locations change with each project, duration of projects vary and are comparatively short, and the work is labor intensive. According to the company, this makes outsourcing perfectly suited for the needs of the industry. While many of its peers provide outsourcing services in different fields, Yumeshin has focused on construction staffing.

Construction and technical support services

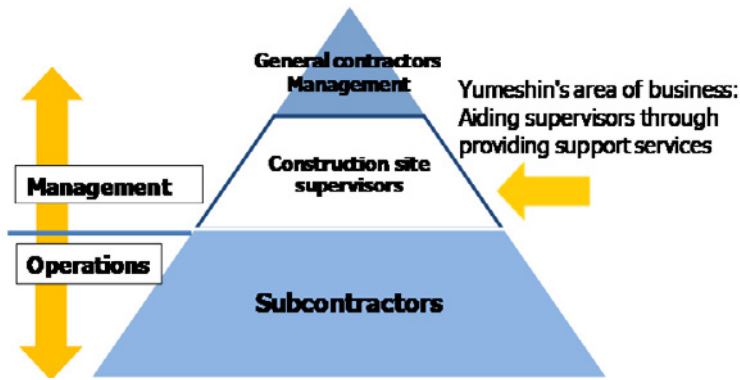
This is the company’s core business, it has been offering this service since March 1991. The company provides construction companies with construction supervisors and Computer Aided Design (CAD) operators, providing support for technical personnel at construction sites. Yumeshin’s full-time employees are about 80% of staff; the remaining 20% are contract employees.

Providing staffing to a multilayered subcontracting structure

Before looking at the company’s Temporary Staffing segment in further detail, some features of the Japanese construction industry warrant an explanation. Japan’s construction industry has a unique multilayered subcontracting structure. General contractors mostly handle project supervision, parceling out work to subcontractors. Employees of the general contractor do not take part in actual construction, instead subcontractor employees handle the construction work. General contractors are more akin to construction project managers for the end customer. Typical examples of general contractors include Taisei Corp. (TSE1: 1801), Obayashi Corp. (TSE1: 1802), Shimizu Corp. (TSE1: 1803), Kajima Corp. (TSE1: 1812), Takenaka Corp. (unlisted), Nishimatsu Construction Co. (TSE1: 1820), Maeda Corp. (TSE1: 1824), and Tokyu Construction Co. (TSE1: 1720). Subcontractors receive part of the construction work from general contractors, who originally received the orders from the customers.

Large subcontracting firms would typically include major facility construction companies like Kandenko Co. (TSE1: 1942), Kinden Corp. (TSE1: 1944), or Takasago Thermal Engineering Co. (TSE1: 1969). Occasionally, these major facility construction companies might themselves serve as primary contractors. In addition to these firms, there are companies engaged in various specialized areas such as carpentry, structural steel, interiors, etc. These are also referred to as “subcontractors.” While there are some subcontractors that hire their own workers, most will further “sub-subcontract” the work out to smaller operations. This secondary and tertiary subcontracting gives the industry its multilayered subcontracting structure.

Construction supervision services provided by the company staff include such general supervision tasks as coordinating work of various specialist workers on the construction site, preparing and making corrections in construction drawings, etc. The company provides safety control, quality control, process control, cost management, and environmental management for the construction industry. In the multilayer subcontracting structure of a typical Japanese construction site, Yumeshin provides construction site supervisors who assist in communication between the prime contractor employees (managers and supervisors) and subcontractors (workers who actually do construction).



Source: Company materials

Dispersed client base and low per-client dependency

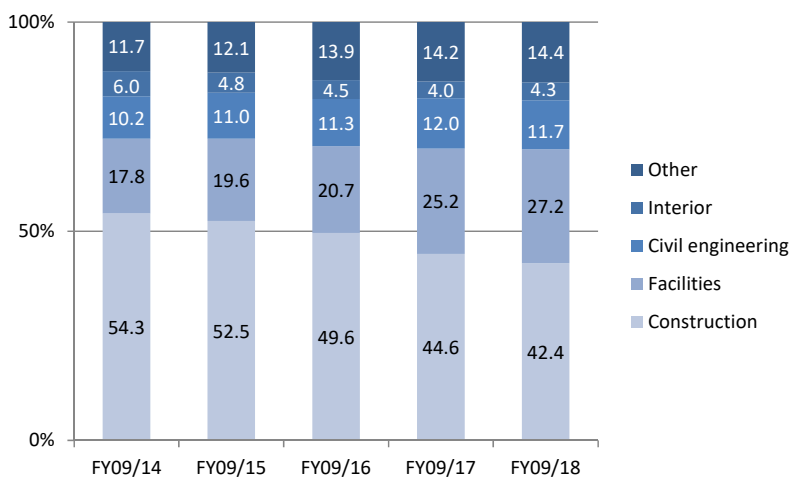
The company had 693 client firms in FY09/13 and more than 1,690 in FY09/17, demonstrating a steady increase in the number of clients. As clients increase, the share of sales to the top five clients has decreased from 18.5% in FY09/13 to 15.3% in FY09/17. The share of sales associated with the top ten clients has also decreased from 27.5% in FY09/13 to 22.1% in FY09/17.

Share of sales by customer (%)

Rank	FY09/13	FY09/14	FY09/15	FY09/16	FY09/17
1	Tokyu Construction 6.6	Daiwa House Industry 6.5	Daiwa House Industry 6.2	Daiwa House Industry 6.1	Daiwa House Industry 5.4
2	Daiwa House Industry 4.8	Tokyu Construction 4.6	Taisei 3.7	Taisei 4.1	Taisei 3.8
3	Kurosawa Construction 2.7	Taisei 3.5	Shimizu 2.8	Shimizu 3.4	Shimizu 2.6
4	Takenaka 2.2	Hazama Ando 1.6	Tokyu Construction 2.7	Takenaka 3.0	Takenaka 2.0
5	Taisei 2.2	Shimizu 1.6	Takenaka 2.2	Shinryo 1.7	Fuji Electric 1.6
	Top 5 companies 18.5	Top 5 companies 17.8	Top 5 companies 17.5	Top 5 companies 18.3	Top 5 companies 15.3
	Top 10 companies 27.5	Top 10 companies 24.9	Top 10 companies 24.8	Top 10 companies 24.6	Top 10 companies 22.1

Source: Shared Research based on company data

Share of sales by areas of staff specialization (%)



Source: Shared Research based on company data

Business characteristics

Yumeshin differentiates itself from competition through hiring many young employees, and focusing the majority of its business on the greater Tokyo area.

Employees primarily in their twenties

The Japanese construction industry is aging—over 40% of all employees are in their fifties, those in their forties constitute some 23%, and staff in their twenties and thirties make up a minority. This is because the construction industry held back on new hiring when the asset price bubble burst in Japan in the early 1990s. By contrast, 66.3% of Yumeshin’s staff are in their twenties (as of December 2016). Construction sites typically expose workers to the elements. Wages tend to be low, and employees must be physically fit. Therefore, it is more suitable to young workers. As a result, the company responds by mainly employing young people for its Temporary Staffing services.

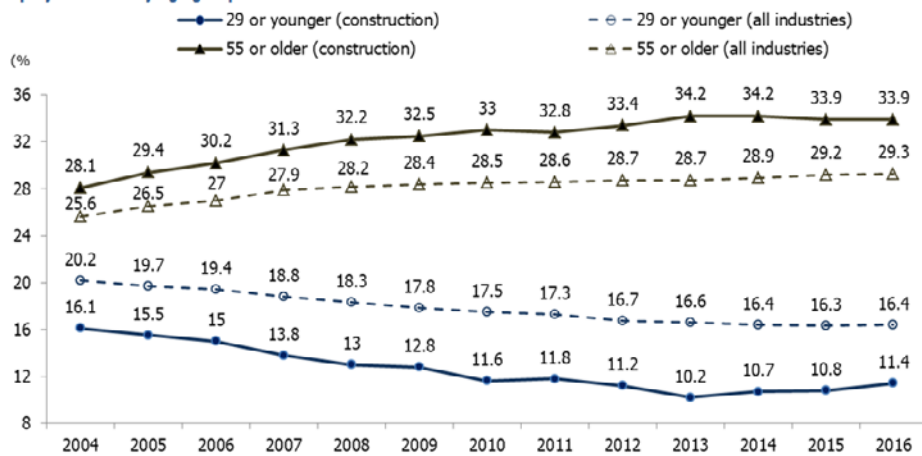
Remarkably, of the company’s employees, around 80% have been with the firm for at least three years. Employees typically go through two weeks of initial training in-house, and are then sent to gain hands on experience at client sites. The company emphasizes this sort of sink-or-swim, on-the-job training (OJT) and expects that while new employees may lack knowledge and experience at first, communication skills are more valuable to clients.

Employees by age group (%)

	Yumeshin	Construction industry	All industries
20s	66.3	11.2	16.7
30s	27.6	22.4	21.8
40s	2.4	23.0	23.0
50s and older	3.7	43.4	38.5

Source: Shared Research based on company data, Ministry of Internal Affairs and Communications

Employment rate by age group



Source: Shared Research based on Ministry of Internal Affairs and Communications data

As of the end of FY09/17, the company had 4,402 staff, compared to 3,334 as of the end of FY09/16 (supervisors it provides to clients). The number of staff it sends to a particular site depends on the project; typically, 1-2 people for a small project, but up to 10 for a large project. Contracts are monthly, with eight-hour workdays and two days off per week. Any other work is treated as overtime.

There were 149 sales personnel as of September 2017. Emphasis is on individual performance rather than teamwork. While salespeople work to acquire new clients, most sales involve projects from existing clients.

Drawing and blueprint production

The company started out as an architectural design firm but changed its business model to emphasize construction blueprint services once it realized that working drawings were as important as master plans in ensuring high quality construction. Working drawings are also known as “production design drawings” and cover not only basic construction plans but also such areas as measurements and materials based on requirements related to durability, appearance, project scheduling, costs, etc. The clients

for drawing services are general contractors and other construction related firms. In order to respond to the demand for lower-cost construction drawings, the company began outsourcing drawing production to affiliates in China (Shanghai, Dalian) and Vietnam. The Vietnamese affiliate was originally a subsidiary, Yumeshin Vietnam Co., Ltd., established in 1996, but the company excluded this from consolidation in 2009.

According to the company, drawing and blueprint production services have a gross profit margin of about 70% and operating profit margin of up to 40%.

Yumeshin uses the same sales personnel for both construction and technical support services and drawing services. The workflow for a construction project: commissions for working drawings are paid prior to the start of construction work. After construction begins, a CAD operator (dispatched through construction and technical support services) may make changes to the working drawings.

Engineer Temporary Staffing

Operations in this segment are carried out by Yume Technology Co., Ltd. (TSE JASDAQ Standard: 2458, formerly, Fullcast Technology Co., Ltd.), which was acquired during FY09/11.

Yume Technology employees (technicians), with expertise in such areas as semiconductors, electrical and electronic apparatuses, machinery, information technology, and chemistry, provide services under a worker staffing or outsourcing agreement in response to clients' research and development needs.

Its main clients handle equipment such as semiconductors, semiconductor manufacturing equipment, AV products (digital appliances), transportation equipment (auto-related products), and precision machinery. Yume Technology provides staffing services in design and development, development evaluation and testing, and quality evaluation.

It provides comprehensive systems solutions for the entire life cycle of IT infrastructure, from consulting to design and construction to operation.

In addition, Krung thep Co., Ltd. (consolidated subsidiary of Yume Technology after it acquired 100% of shares in December 2017), conducts engineer (middle to senior levels) dispatch to the design and development departments of various manufacturing companies, does development under contract, and conducts training, education, and consulting.

178 Live Market Co., Ltd. (consolidated subsidiary of Yume Technology after it acquired 100% of voting rights in October 2017), based in Taiwan, conducts staffing and dispatch businesses and operates 178 Human Resources Bank, an online staffing service. 178 Human Resources Bank is the first online job listing site in Taiwan to use completion bonuses, and it has a database focusing on IT engineers and Japanese interpreters.

In collaboration with group company Yume Agent, the company has also aggressively pursued recruitment overseas. It has provided Japanese language education to local resources in Vietnam and the Philippines and has been employing around a hundred staff overseas on a yearly basis.

Business model

Construction Technician Temporary Staffing business

The company's sales are driven by the number of staff (for construction sites or CAD operators) that it dispatches, utilization rates, hours dispatched, and wages. Wages depend upon technicians' skills and years of employment. According to the company, clients typically seek discounts, but because no other companies can supply the numbers of young (relatively lower cost) staff that Yumeshin can, Yumeshin wages remain mostly stable.

Parent sales metrics

	FY09/13	FY09/14	FY09/15	FY09/16	FY09/17
Number of technicians	1,729	2,277	2,760	3,334	4,402
Number of new hires	1,233	1,628	1,702	2,018	2,666
Net increase	621	548	483	574	1,068
Retention rate	73.9%	67.8%	69.4%	69.8%	73.4%
a) Average number of technicians	1,376	2,101	2,497	3,027	3,889
b) Utilization rate	94.1%	93.4%	94.6%	92.7%	92.2%
c) Average hours per day	10.2	9.8	9.8	9.7	9.6
d) Average hourly wage (JPY)	2,590	2,569	2,644	2,706	2,797
Sales (JPYmn)	8,163	11,731	13,855	17,401	22,608
YoY	26.1%	43.7%	18.1%	25.6%	29.9%
Ref.: a x b x c x d x operating days (JPYmn)	8,039	11,610	14,369	17,309	22,649

Source: Shared Research based on company data

Note: Retention rate = Number of technicians at year end / (number of technicians at previous year end + new hires in the current year)

Note: Calculated based on 235 days of operation

Cost of sales

The majority of cost of sales is labor. However, in the Temporary Staffing segment, it still has to pay employees even when there is no work and employees aren't on clients' sites. It is hard to adjust wages rapidly. Given that wages are basically stable, the spread between wages received and wages paid also must be stable. Therefore, changes in gross profit margins are driven by staff utilization rates (number of staff sent out to a construction site divided by the number of total dispatch staff). Shared Research considers the labor costs incurred by the company to be long-term variable. Because of the difficult working conditions of the construction sites and other reasons causing staff to quit, the average retention rate of Yumeshin technicians is 73.4% in FY09/17 (69.8% in FY09/16). This means that the company can adjust the headcount by restricting new hiring and reducing the size of its staff through natural attrition.

SG&A expenses

The majority of SG&A expenses are personnel costs. Judging from past performance, these costs can also be considered long-term variable as the company had been adjusting them with fluctuations in sales levels.

Parent earnings (JPYmn)	FY09/13	FY09/14	FY09/15	FY09/16	FY09/17
Sales	8,163	11,731	13,855	17,401	22,608
YoY	26.1%	43.7%	18.1%	25.6%	29.9%
Cost of sales	5,577	8,132	9,816	12,371	15,791
Cost ratio	68.3%	69.3%	70.8%	71.1%	69.8%
Labor costs	5,389	7,883	9,528	12,071	15,408
Outsourcing costs	85	94	90	93	104
Other costs	103	156	198	207	280
Gross profit	2,586	3,598	4,039	5,030	6,816
YoY	17.3%	39.1%	12.3%	24.5%	35.5%
GPM	31.7%	30.7%	29.2%	28.9%	30.2%
SG&A expenses	1,468	1,938	2,306	2,817	3,939
SG&A ratio	18.0%	16.5%	16.6%	16.2%	17.4%
Salaries and allowances	647	7,680	842	1,050	
Hiring expenses	114	330	455	669	
Operating profit	1,117	1,660	1,733	2,213	2,877
YoY	-0.3%	48.6%	4.4%	27.7%	30.0%
OPM	13.7%	14.2%	12.5%	12.7%	12.7%

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Engineer Temporary Staffing business

As in Construction Technician Temporary Staffing, sales are determined by the number of engineers, utilization rate, and billing rates for workers. In FY09/17, the company had 1,716 engineers (versus 1,131 in FY09/16), a 90.2% utilization rate (versus 93.3% in FY09/16), and an average hourly billing rate of JPY2,972 (versus JPY3,091 in FY09/16).

Sales metrics for Yume Technology

Sales metrics (People)	FY09/13	FY09/14	FY09/15	FY09/16	FY09/17
Number of technicians	567	618	853	1,131	1,716
Number of new hires	-	-	289	460	941
Net increase	-	51	235	278	585
Retention rate	-	-	94.0%	86.1%	82.8%
a) Average number of technicians	558	591	751	1,005	1,414
b) Utilization rate	94.7%	96.0%	95.3%	93.3%	90.2%
c) Average hourly wage	3,216	3,232	3,246	3,091	2,972
Sales (JPYmn)	3,531	3,839	4,773	5,805	7,385
YoY	-5.8%	8.7%	24.3%	21.6%	27.2%
Ref.: a x b x c x operating days (JPYmn)	3,395	3,663	4,641	5,789	7,572

Source: Shared Research based on company data

Note: Retention rate = Number of technicians at year end / (number of technicians at previous year end + new hires in the current year)

Note: Calculated based on 235 days of operation

In FY09/17, the gross profit margin was 23.9%. The vast majority of cost of sales was labor (97.4%). The SG&A-to-sales ratio was 21.5%. The majority of SG&A expenses are personnel and hiring expenses.

Yume Technology earnings performance

Yume Technology earnings (JPYmn)	FY09/13	FY09/14	FY09/15	FY09/16	FY09/17
Sales	3,531	3,839	4,773	5,805	7,385
YoY	-5.8%	8.7%	24.3%	21.6%	27.2%
Cost of sales	2,706	2,892	3,555	4,326	5,622
Cost ratio	76.6%	75.3%	74.5%	74.5%	76.1%
Labor costs	2,606	2,789	3,445	4,204	5,477
Outsourcing costs	0	2	5	0	0
Other costs	99	101	105	122	146
Gross profit	825	947	1,218	1,479	1,763
YoY	-11.1%	14.7%	28.6%	21.4%	19.2%
GPM	23.4%	24.7%	25.5%	25.5%	23.9%
SG&A expenses	548	587	726	1,046	1,588
SG&A ratio	15.5%	15.3%	15.2%	18.0%	21.5%
Salaries and allowances	230	259	300	382	531
Hiring expenses	66	71	134	262	546
Operating profit	277	351	476	433	175
YoY	10.8%	26.7%	35.8%	-9.1%	-59.6%
OPM	7.8%	9.1%	10.0%	7.5%	2.4%

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Profitability/ financial indicators

Profit margins (JPYmm)	FY09/08	FY09/09	FY09/10	FY09/11	FY09/12	FY09/13	FY09/14	FY09/15	FY09/16	FY09/17
	Cons.	Par.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
Gross profit	2,037	1,759	1,490	1,899	3,159	3,450	4,583	5,150	6,563	8,781
GPM	28.8%	32.1%	30.7%	27.9%	28.8%	27.5%	27.8%	24.4%	28.2%	28.8%
Operating profit	489	756	520	543	1,195	1,230	1,857	1,727	2,433	2,362
OPM	6.9%	13.8%	10.7%	8.0%	10.9%	9.8%	11.3%	8.2%	10.5%	7.7%
EBITDA	516	782	554	627	1,362	1,309	2,022	1,939	2,656	2,786
EBITDA margin	7.3%	14.3%	11.4%	9.2%	12.4%	10.4%	12.3%	9.2%	11.4%	9.1%
Net margin	4.6%	12.4%	7.9%	1.5%	6.7%	11.1%	13.6%	8.9%	7.0%	4.7%
Financial ratios										
ROA (RP-based)	5.0%	15.5%	11.1%	7.7%	18.1%	20.1%	26.0%	12.0%	12.7%	12.3%
ROE	18.3%	33.2%	18.7%	5.8%	40.4%	39.1%	36.3%	18.0%	12.4%	11.6%
Total asset turnover	0.95	1.05	0.97	1.16	1.54	1.43	1.45	1.30	1.20	1.54
Working capital requirement	1,094	735	714	1,417	1,614	1,852	2,513	2,740	3,632	4,829
Current ratio	212.2%	183.1%	274.8%	115.2%	137.7%	263.0%	246.5%	377.3%	375.4%	253.7%
Quick ratio	199.5%	159.6%	248.8%	109.7%	123.2%	249.4%	230.4%	352.4%	348.2%	229.3%
OCF / Current liabilities	0.14	0.58	0.42	0.23	0.31	0.27	0.55	0.19	0.19	0.36
Net debt / Equity	42.2%	28.1%	35.9%	55.7%	33.0%	-33.0%	-50.7%	-64.7%	-45.8%	-44.2%
OCF / Total liabilities	0.1	0.3	0.2	0.1	0.2	0.2	0.3	0.1	0.1	0.2
Changes in working capital	-1,112	-359	-21	703	197	238	662	227	892	1,197

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Group companies

The group consists of Yumeshin and consolidated subsidiaries. Respective segments are as shown in the table below:

Segment and name of consolidated subsidiary

Segment	Business	Consolidated subsidiary
Construction Technician Temporary Staffing	Staff construction supervisors and technicians; draft and sell blueprints	Yumeshin Holdings Co., Ltd.
Engineer Temporary Staffing	Dispatch engineers to the manufacturing and IT industries	Yume Technology Co., Ltd. Krung thep Co., Ltd.
Other Businesses	Provide staff to the construction and manufacturing industries	Yume Agent Co., Ltd.
	Japanese language education to local human resources in the Philippines	Yumeagent Philippines Corp.
	Employment support services for Vietnamese nationals	Yumeagent Vietnam Co., Ltd.
	Nurturing of advanced IT engineers	Yume Education Co., Ltd.
	Seminars for acquiring national construction related certifications	Construction Industry Certification Promotion Center
	Offshore development work in Vietnam	Yume Solutions Co., Ltd.

Below is a breakdown of subsidiaries (voting rights ratio in parentheses):

- ▷ Yume Technology Co., Ltd. (64.90%): Established in 1989 and became a subsidiary in May 2011. Handles temporary staffing of engineers to manufacturing businesses
- ▷ Krung thep Co., Ltd. (100% of voting rights held by Yume Technology): Conducts engineer dispatch for the design and development fields, various development work under contract, training and education on information systems and security, and consulting
- ▷ Yume Agent Co., Ltd. (100%): Established in February 2015. Handles recruitment
- ▷ Yumeagent Philippines Corp. (100%): Provides Japanese language education to local human resources in the Philippines
- ▷ Yumeagent Vietnam Co., Ltd. (100%): Provides hiring support for human resources in Vietnam
- ▷ Yume Education Co., Ltd. (100%): Established in May 2016. Recruits engineers who have IT technology expertise and conducts practical training
- ▷ Yume Solutions Co., Ltd. (100%): Formerly Social Fintech Co., Ltd. Converted to a subsidiary in August 2016, changed name in June 2017. Operates trade services that make full use of fintech to trace and systematize the trading methods of FX traders with superior performance results.

Strengths and weaknesses

Strengths

- ▶ **Reputation based on experience and stock market listing:** In the construction industry, credibility and trust are important factors in securing future work. Yumeshin has been building its reputation over many years, and has the added prestige of being a listed company—a combination not shared by many competitors. Yumeshin’s clients are mainly top-tier firms, so when the company delivers reliably for these clients, it seems reasonable to conclude other potential clients would take notice. As its relationships with blue-chip clients grow, so does Yumeshin’s reputation, creating a virtuous cycle leading to more business opportunities. Shared Research thinks that this cycle is likely to continue and strengthen with time. Because the company is publicly traded, it has a certain degree of reliability and recognition that its unlisted competitors lack. A side effect of being publicly traded is enhanced disclosure about business performance, financial condition, etc. This available information means the company is more transparent, which could make clients more confident in doing business with Yumeshin.
- ▶ **Top management has significant experience:** President and Chairman of the Board, Shingo Sato, has been in control of the company since it was founded in 1970. Even considering all listed companies in Japan, there are probably very few where top management has over 40 years of business experience. Sato has seen both the good and bad while running the firm, adding depth to his tenure. Sato commented that the company’s vigorous expansion during 2005-2007 was a significant set-back (perhaps the first such instance since the company’s founding). However, Shared Research thinks that his forthrightness and decisive action to get the company back in a shape similar to when it listed in 2003 is a key strength of the company. Sato’s many years of experience and the conviction with which he makes decisions (like using mostly younger employees), are strengths unique to Yumeshin.
- ▶ **Effective use of younger employees:** While the average employee in the construction industry has aged, the company has been actively hiring younger employees to work on client sites. Industry competitors have placed more emphasis on experience and skill in hiring decisions, resulting in a mainly older workforce. Yumeshin has favored energetic and well-rounded younger employees, and given them a lot of practical on-site experience shortly after joining the firm. As a result, the company’s employees bring both youth (and energy) to job sites and hands-on experience. The company’s financial performance suggests its sink-or-swim approach is effective.

Weaknesses

- ▶ **Performance in favorable economic periods:** Shared Research wonders if the company will be able to maintain its strength, using younger employees, during good economic times. This is tough to measure, but if the economy improves, some of the company’s younger employees may look for greener pastures elsewhere (either with competitors or higher-paying and less-demanding jobs). Job opportunities for older employees tend to be fewer, so competitors with older employees are less exposed to this potential risk. Additionally, as the aging population trend in Japan continues, hiring new graduates during boom times will likely be even more difficult than in the past. Naturally, a shortage of staff would mean lost opportunities for the company.
- ▶ **Dependence on construction industry:** In FY09/17, Construction Technician Temporary Staffing accounted for 74.1% of sales and 115.4% of profit. In Engineer Temporary Staffing, the company is expanding hiring from FY09/17, targeting earnings growth, but expects Construction Technician Temporary Staffing to contribute more than 70% of operating profit even in the final year of the company’s medium-term management plan (FY09/20). As of April 2018, Construction Technician Temporary Staffing is seeing strong demand due to the recovery in construction spending and active utilization of dispatched technicians by construction contractors (see the Market and value chain section). However, if construction

spending were to decrease again, causing diminishing demand for construction technicians, Shared Research believes this would likely have a very significant impact on the company's earnings.

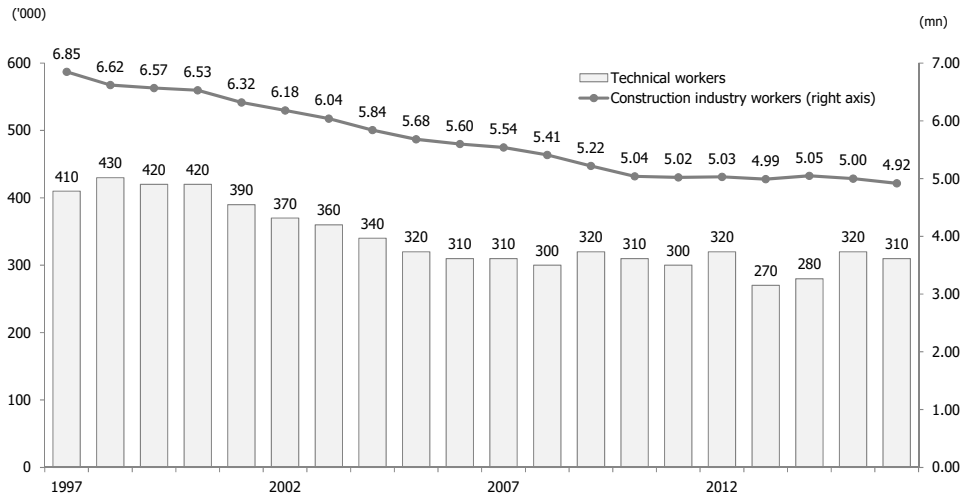
- ▶ **Losses in businesses other than Construction Technician Temporary Staffing and Engineer Temporary Staffing:** It is Shared Research's understanding that for businesses other than Construction Technician Temporary Staffing and Engineer Temporary Staffing, the company has not established any clear standards for monetization or return on investment. It could be said that this is to allow rapid business development based on a long-term perspective. At the same time though, Shared Research believes the company has not conducted adequate research into the profitability of its new businesses. In FY09/17, the Education and Training, IT Services, and Other segments had losses totaling JPY581mn (from FY09/18, Education and Training and IT Services are included in the Other Businesses segment).

Market and value chain

Market overview

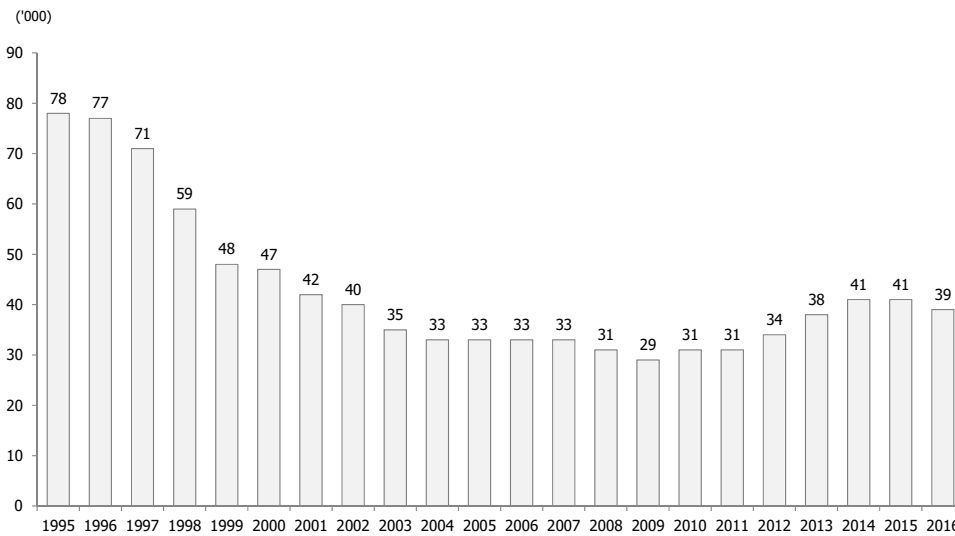
This section focuses on the market for Yumeshin’s mainstay Construction Technician Temporary Staffing.

Construction worker population



Source: Shared Research, based on Ministry of Internal Affairs and Communications *Annual Labor Survey*

New graduates joining construction industry ('000 people)



Source: Shared Research, based on statistics from Japan Federation of Construction Contractors *Construction Handbook 2016*

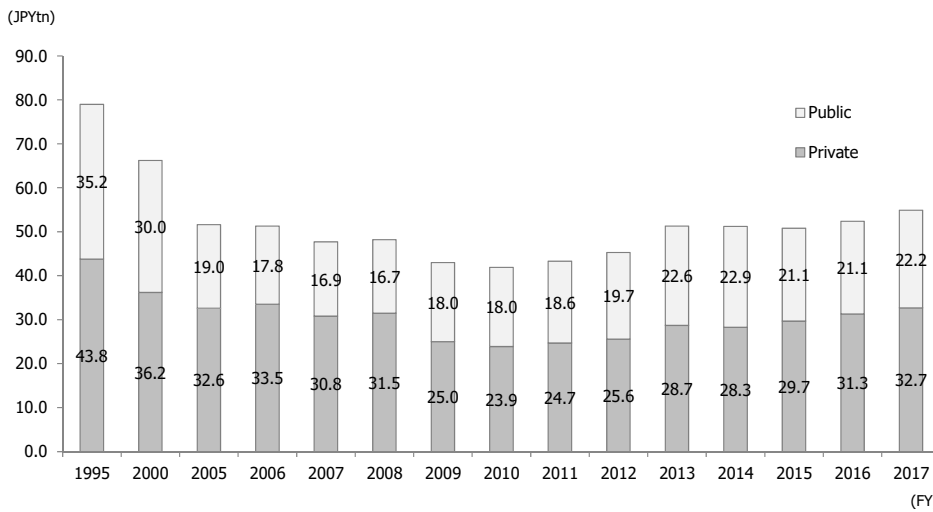
The construction industry expanded during Japan’s high economic growth period (from mid-1950s to 1960s) as it pushed mass hiring. The industry, however, has recently done without much hiring of new personnel against the backdrop of a nosedive in construction demand attributable to fewer public projects and lower capex post the economic bubble burst. Between 1997 and 2016, the number of people employed in construction decreased by 1.9mn. The number of new graduates entering the industry peaked in 1995 at 78,000. However, it bottomed out in 2009 at 29,000 and has been averaging around 40,000 a year since 2013, and finished 2016 at 39,000.

As of 2016, baby boomers were reaching their retirement ages, and the construction industry as a whole was aging accordingly, with one out of three workers (33.9%) being 55 years or older (see also Employment Rate by Age Group in the Construction

Technician Temporary Staffing section). Also, with less young people joining the industry, chronic worker shortages have been an industry-wide issue.

Construction spending has been declining since it peaked in 1992 at JPY84tn. Following the 2007 revision to the Building Standards Law and the global financial crisis of 2008, construction spending continued to decline, and by 2010, it fell to JPY42tn, just half of the 1992 figure. Thereafter, spending has been increasing due to recovery efforts following the Great East Japan Earthquake. Particularly in Tokyo and the neighboring prefectures, strong construction demand may continue due to population inflows, as well as rising demand for rebuilding houses aged 40 years or older, enhancing buildings' earthquake resistance, and making buildings barrier-free.

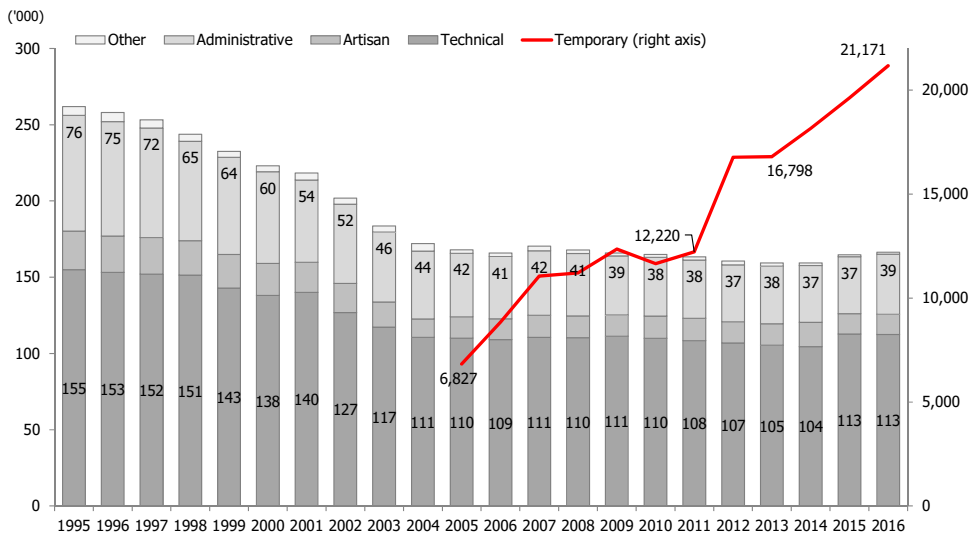
Construction spending



Source: Shared Research, based on Ministry of Land, Infrastructure, Transport and Tourism *Construction Industry Investment Outlook for 2017*
Note: Figures for 2016 are estimates.

To cope with construction demand, construction companies are cutting back on new hires in favor of hiring many more temporary workers from temporary staffing companies. Based on the figures presented in the Ministry of Land, Infrastructure, Transport and Tourism's *Construction Industry Activity Survey*, Shared Research has calculated that the hiring of temporary workers from temporary staffing companies by major construction companies increased at an average annual rate of 28.2% between 2005 and 2016.

Individuals involved in major construction



Source: Shared Research based on *Construction Industry Activity Survey* (of 53 companies), Ministry of Land, Infrastructure, Transport and Tourism

The rate of population growth is the main long-term demand driver for Tokyo area construction spending. Japan's total population started to decline after peaking in 2004. By contrast, the population of the Greater Tokyo Area has been growing as more economic activity concentrated in the area, leading to increasing job opportunities and higher standards of living, which in turn are attracting more residents, a self-perpetuating loop. Between 1995 and 2000, the population grew by 849,000 people; between 2000 and 2005, by 973,000 people. On average, the population increased by over 150,000 people per year. Since 2006, the pace has slowed, but continues at a rate of more than 100,000 people per year. This migration has been causing regional housing demand to shrink, while sustaining high levels of housing demand in and around Tokyo, a trend partially responsible for making the Greater Tokyo Area the largest megalopolis in the world.

Greater Tokyo Area population

('000)	1995	2000	2005	2010	2011	2012	2013	2014	2015	2016
Tokyo	11,543	11,850	12,325	12,834	12,869	12,916	12,979	13,044	13,131	13,207
YoY	-	-	-	1.9%	0.3%	0.4%	0.5%	0.5%	0.7%	0.6%
Kanagawa	8,152	8,391	8,676	8,921	8,934	8,947	8,956	8,967	8,979	8,986
YoY	-	-	-	1.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Saitama	6,696	6,875	6,974	7,105	7,117	7,126	7,134	7,143	7,160	7,169
YoY	-	-	-	0.9%	0.2%	0.1%	0.1%	0.1%	0.2%	0.1%
Chiba	5,744	5,869	5,983	6,135	6,135	6,119	6,114	6,114	6,131	6,137
YoY	-	-	-	1.2%	0.0%	-0.3%	-0.1%	0.0%	0.3%	0.1%
Greater Tokyo Area	32,136	32,985	33,958	34,995	35,055	35,108	35,183	35,268	35,402	35,499
YoY	-	-	-	1.4%	0.2%	0.2%	0.2%	0.2%	0.4%	0.3%
Change	-	849	973	1,037	60	53	75	85	134	97

Source: Ministry of Internal Affairs and Communications data

Long-term expected population in Greater Tokyo Area

('000)	2015	2020	2025	2030	2035	2040
Tokyo	13,349	13,315	13,179	12,957	12,663	12,308
CAGR	0.3%	-0.1%	-0.2%	-0.3%	-0.5%	-0.6%
Kanagawa	9,148	9,122	9,010	8,833	8,607	8,343
CAGR	0.2%	-0.1%	-0.2%	-0.4%	-0.5%	-0.6%
Saitama	7,206	7,133	6,991	6,796	6,562	6,305
CAGR	0.0%	-0.2%	-0.4%	-0.6%	-0.7%	-0.8%
Chiba	6,192	6,122	5,987	5,806	5,592	5,358
CAGR	-0.1%	-0.2%	-0.4%	-0.6%	-0.7%	-0.9%
Greater Tokyo Area	35,896	35,693	35,166	34,392	33,424	32,314
CAGR	0.5%	-0.1%	-0.3%	-0.4%	-0.6%	-0.7%

Source: National Institute of Population and Social Security Research data

However, when viewed over a longer time span, say 2020 or 2025, the Tokyo area population is likely to decline. So, over the longer term, it is hard to be overly optimistic about housing demand in the market. Still, what is important to consider here is the balance between the supply (workers) and demand (spending) in the construction industry. In other words, it is necessary to monitor which (the supply or demand) will shrink more rapidly in the long run.

Barriers to entry

Temporary staffing services

As the great number of staffing companies serving the construction industry suggests, the barriers to entry are low. However, it is a business where the track record and reputation matter and growing into a large business is challenging. The construction industry is order driven. This creates uncertainty for the client who cannot know whether construction is going to be completed with high quality and according to specification until the work is done. This means that past performance and the existing relationship of trust with clients are very important.

Competitors

Peers in Construction Technician Temporary Staffing business

There are many of competing firms providing temporary staff to the construction industry, about 100 firms according to the company. However, the industry has seen increasing concentration, with the top five firms responsible for approximately 50% of the market and the top 10 making up about 75%. In descending order, the major players by revenues are: TechnoPro Construction, Inc. (unlisted), Tekken Kosan Co., Ltd. (a subsidiary of Tekken Corporation; TSE1: 1815), and Ikeshita Design Co., Ltd. (unlisted).

The company is independent, a relatively unique trait in the industry populated with general contractor subsidiaries, such as Act Technical Support Co., Ltd. (a subsidiary of Kajima Corporation; TSE1: 1812) and Taisei Staff Services Co., Ltd. (a subsidiary of Taisei Construction; TSE1: 1801). Such firms tend to provide staffing services primarily to their parent company and would not (or cannot) service their parent's competitors. This gives an independent firm like Yumeshin, neutral in its dealings with various general contractors, an important role. Also, as mentioned in Business Description, one important aspect of the company is that it hires young people and proactively sends them out to work at construction sites. According to the company, the competition tends to use veteran employees who used to work at general contractors (older and more expensive staff). Therefore, Shared Research notes that in the construction industry, where younger workers continue to decrease and the entire workforce keeps aging, Yumeshin is in a relatively advantageous position.

Peers in Engineer Temporary Staffing business

Competing firms providing engineer temporary staffing include TechnoPro Holdings Inc. (TSE1: 6028), Meitec Corporation (TSE1: 9744), and Altech Corporation (TSE1: 4641).

Compared with the other companies, Yume Technology focuses more on younger, relatively inexperienced engineers and middle tier (including R&D assistance and evaluation and maintenance support) and support departments, and its billing rate is lower than its peers' rates.

Overview of peers

	Sales (JPYmn)	Gross profit (JPYmn)	Operating profit (JPYmn)	Number of engineers	Billing rate (JPY)	Number of client companies	Detail
Yume Technology	7,385	1,763 (23.9%)	175	1,716	2,972	More than 300	Dispatches engineers to machinery, electrical and electronic apparatus, IT, and chemical manufacturing industries. Business areas include middle tier (including R&D assistance and evaluation and maintenance support) and support departments. More than 70% of its engineers are in their 20s and early 30s.
TechnoPro Holdings Inc.	100,095	23,435 (23.4%)	9,647	14,346	3,680	1,853	Handles the largest number of engineers and researchers in Japan. Dispatches engineers to technical fields, including machinery, electrical and electronic apparatuses, built-in control systems, IT infrastructure, software development and maintenance, chemistry, biotechnology, and construction management.
Meitec Corporation	89,979	23,562 (26.2%)	11,143	8,657	4,767	About 1,000	Dispatches engineers chiefly to advanced automotive and electrical apparatus manufacturing industries to cover design and development support. The average age of its engineers is 38.3 (as of March 2017), and more than 60% are in their 30s and 40s.
Altech Corporation	30,260	7,523 (24.9%)	3,239	3,175	3,903	About 700	Dispatches engineers to machinery, electrical and electronics apparatus, software, and chemical manufacturing industries to cover various processes from basic research through planning, design, trial manufacturing, evaluation, and analysis.

Historical financial statements

1H FY09/18 results

▷ Sales:	JPY19.3bn (+33.2% YoY)
▷ Operating profit:	JPY2.6bn (+100.5% YoY)
▷ Recurring profit:	JPY2.6bn (+86.9% YoY)
▷ Net income*:	JPY1.9bn (+127.4% YoY)

*Net income refers to net income attributable to parent company shareholders.

Sales increased on growth in the Construction Technician Temporary Staffing and Engineer Temporary Staffing segments. Profits rose owing to higher billing and staff utilization rates in the Construction Technician Temporary Staffing segment, and limited cost increase as measures to control costs (including hiring expenses) proved successful.

Progress toward FY09/18 forecasts was sales 49.6% (in 1H FY09/17, sales were 47.6% of the company's FY09/17 full-year results), operating profit 57.5% (54.6%), recurring profit 56.8% (56.5%), and net income attributable to parent company shareholders 64.5% (57.7%). Progress in sales and profits was up YoY. According to Yumeshin, although the number of technicians hired in the Engineer Temporary Staffing business fell short of expectations, the number of technicians hired in the Construction Engineering Temporary Staffing business and average hourly billing rates for technicians on assignment exceeded expectations.

Overview by segment are as follows. Note that figures for segment profit and loss are adjusted to operating profit. The company reclassified its reportable segments from Q1 FY09/18, and YoY comparisons are based on previous year figures that have been adjusted in accordance with the new business segmentation.

Construction Technician Temporary Staffing

▷ Sales:	JPY14.4bn (+32.0% YoY)
▷ Segment profit:	JPY2.5bn (+72.6% YoY)

Due to an aging workforce and shortage of young workers, dispatch demand at general contractors remained firm. The company focused on hiring, with a target of 2,500 technicians over the year, as major construction projects related to the 2020 Tokyo Olympic and Paralympic Games and to the Linear Chuo Shinkansen got into full swing.

The share of sales to the top ten clients accounted for 19.6% (22.1% in FY09/17). As the number of customers increased, sales became increasingly decentralized.

By dispatch area, Greater Tokyo made up 68.8% of total sales (-2.7pp YoY), while the Kinki region accounted for 10.8% (+0.5pp YoY), the Chubu region 4.3% (+1.1pp YoY), the Tohoku region 12.2% (-0.4pp YoY), and the Kyushu region 3.9% (-1.7pp YoY). Greater Tokyo and the Tohoku region's share of total sales declined while sales in other areas increased.

For sales by industry, construction made up 42.4% of total sales (-4.4pp YoY), facilities 27.2% (+4.6pp YoY), civil engineering 11.7% (+0.9pp YoY), and others 4.3% (-0.2pp YoY). The share of construction fell while the share of facilities rose.

Construction Temporary Staffing business: sales and key metrics of sales performance

Sales increased as the company hired more technicians—leading to an increase in the number of technicians utilized (higher utilization rate)—and increased its billing rates for temporary staff.

As for the key metrics of sales performance, the average number of technicians was up 28.7% YoY, the staff utilization rate was up 1.6pp YoY, the average number of hours worked per day was down 0.6%, and the average hourly billing rate of technicians on assignment was up 2.4%

The company focused on hiring and, as a result, the company hired 1,373 new technicians in 1H FY09/18 (1,155 in 1H FY09/17). The number of technicians registered in the company's books as of end-March 2018 was 4,852 (+987 YoY). Meanwhile, in 1H FY09/18 the retention rate fell 0.9pp YoY from 73.0% to 72.1%. In FY09/15 and FY09/16, the retention rate remained stable at 60–69%, but from FY09/17 onward this increased to 70–79%. The retention of newly hired technicians contributed to the number of registered technicians. According to Yumeshin, various post-hiring follow-up strategies such as a counseling system for employees using smartphone apps, improved training as well as clubs activities have increased connections between the company and its employees.

The staff utilization rate (number of technicians on assignment/total number of technicians) rose 1.6pp YoY from 93.0% to 94.6%. The rise in the utilization rate was due to an increase in sales staff and price negotiations efforts.

The average number of hours worked per day was 9.64 hours, down 1.1% (or 0.06 hours). The decline in work hours reflected the government's recent push for shorter working hours and improved conditions.

Average hourly billing rate for technicians on assignment was JPY2,859 (+JPY68 YoY or +2.4%). The ratio of first year technicians whose average hourly billing rates are relatively low was 46.2% (-0.9pp YoY). Hourly billing rates for the technicians in all age groups increased; by age group, average hourly billing rates for first-year technicians were up 2.7% YoY, second-year up 3.3%, third-year up 2.6%, and four-plus years was up 1.0%. Given the robust demand for construction technician staffing, hourly billing rates have been on an upward trend.

Construction Technician Temporary Staffing: Gross profit and SG&A expenses

The segment's gross profit margin rose to 32.5% (+2.0pp YoY) owing to improved staff utilization rates and billing rates. Gross profit increased to JPY4.7bn (+40.9% YoY) on higher sales and the improvement in the gross margin.

SG&A expenses were JPY2.2bn (+16.0% YoY), and the SG&A-to-sales ratio was 15.0% (-2.1pp YoY). In addition to a YoY increase in hiring costs, personnel expenses increased due to a growing sales staff. Hiring costs per person fell to JPY384,000 (JPY419,000 in FY03/17) as the share of hiring through recruitment agencies declined while the share of direct hiring by Yumeshin rose.

Segment profit (operating profit) was higher and the segment operating profit margin rose 4.1pp YoY to 17.5%.

Engineer Temporary Staffing

- ▷ **Sales:** JPY4.8bn (+38.8% YoY)
- ▷ **Segment profit:** JPY281mn (+53.6% YoY)

As overseas economies improved, exports were robust and the business environment improved for automobile, electronic equipment, and semiconductor manufacturers, core clients for Yumeshin. The company dispatches IT engineers in the IT industry, where high investment demand has continued for infrastructure building and IT security. Investment has also increased for areas of leading-edge IT, such as the Internet of Things and artificial intelligence.

Under these conditions, the company set a yearly hiring plan of 1,200 engineers and focused on hiring activities in order to respond to the growing demand for engineers. In 1H FY09/18, the company hired 429 engineers (349 engineers in 1H FY09/17) and the number of engineers registered in the company's books as of end-March 2018 was 1,934 (+554 YoY).

Sales were up due to the increase in engineers. As for the key metrics of sales performance, the average number of engineers was up 45.8% YoY, the staff utilization rate was down 1.0pp, and the average billing rate was up 2.0% YoY for middle- and low-end

engineers and up 2.3% for technical support engineers. Sales per engineer amounted to JPY2.64mn (-4.8% YoY). With the strategic recruitment of technical support engineers beginning in FY09/17, the proportion of engineers with a relatively low billing rate increased, resulting in a decrease in sales per engineer.

Middle- and low-end engineers mainly manage and operate business systems, including design and development, development evaluation and testing, and quality evaluation of semiconductors, electrical and electronic apparatuses, machinery, information and chemistry. In addition to general affairs, technical support engineers mainly handle installation of IT products and troubleshooting.

In Q2 FY09/18 the company hired a total of 429 engineers (versus 349 in Q2 FY09/17), 63% of whom were women and 7% foreign nationals. Yumeshin only hired 35.8% of the 1,200 engineers it planned to hire for the year. The average number of engineers during the year was 1,802 (versus 1,236 in Q2 FY09/17), and the number of engineers on the company's books at the end of March 2018 was 1,934 (versus 1,380 at the end of March 2017). Technical support engineers make up roughly 40% of all engineers.

The staff utilization rate of 92.7% was down 1.0pp from 93.7% in Q2 FY09/17. Temporary staff redundancies due to an increase in hiring staff compared to Q2 FY09/17 pushed down the utilization ratio.

The average hourly billing rate was JPY3,246 (+2.0% YoY) for middle- and low-end engineers and JPY2,439 (+2.3%) for technical support engineers.

The segment's gross profit rose 35.5% YoY to JPY1.2bn. The gross profit margin fell 0.6pp to 25.1% due to higher share of sales from technical support engineers whose billing rates are relatively low.

SG&A expenses rose 33.5% YoY to JPY928mn and the SG&A-to-sales ratio fell 0.8pp to 19.5%.

As a result, the segment saw a YoY increase in operating profit while operating profit margin rose 0.2pp YoY to 5.6%.

In Q2 FY09/18, the company's subsidiary, Yume Technology Co., Ltd. made Krung thep Co., Ltd., which runs an engineer dispatch business, a wholly-owned subsidiary. Since Krung thep posted sales of JPY560mn and operating profit of JPY13mn in FY01/17, the company does not expect the consolidation of Krung thep to have much of an impact on FY09/18 earnings.

Other

- ▷ **Sales:** JPY224mn (-8.6% YoY)
- ▷ **Segment loss:** JPY128mn (JPY276mn operating loss in 1H FY09/17)

In the Other segment, the company introduces personnel to various companies in the construction and manufacturing industries and provides hiring support services to Japanese companies which are seeking local personnel in Vietnam.

Q1 FY09/18 results

- ▷ **Sales:** JPY9.4bn (+34.5% YoY)
- ▷ **Operating profit:** JPY1.2bn (+90.8% YoY)
- ▷ **Recurring profit:** JPY1.2bn (+66.3% YoY)
- ▷ **Net income*:** JPY958mn (+124.5% YoY)

*Net income refers to net income attributable to parent company shareholders.

Sales increased on growth in the Construction Technician Temporary Staffing and Engineer Temporary Staffing segments. Profits rose as billing rate increased in the Construction Technician Temporary Staffing segment and the company controlled costs, including hiring expenses.

From Q1 FY09/18, the segments which had been reported as Education and Training and IT Services will be included in the Other Businesses segment as they declined in importance within the company.

Construction Technician Temporary Staffing

- ▷ **Sales:** JPY7.0bn (+32.9% YoY)
- ▷ **Operating profit:** JPY1.2bn (+73.9% YoY)

Due to an aging workforce and shortage of young workers, dispatch demand at general contractors remained firm. The company focused on hiring, with a target of 2,500 technicians over the year, as major construction projects related to the 2020 Tokyo Olympic and Paralympic Games and to the Linear Chuo Shinkansen got into full swing.

Construction Temporary Staffing business: sales and key metrics of sales performance

Sales increased as the company hired more technicians—leading to an increase in the number of technicians utilized (higher utilization rate)—and increased its billing rates for temporary staff.

As for the key metrics of sales performance, the average number of technicians was up 30.6% YoY, the staff utilization rate was up 1.6pp YoY, the average number of hours worked per day was down 1.1%, and the average hourly billing rate of technicians on assignment was up 2.6%

The company focused on hiring and, as a result, the company hired 695 new technicians in Q1 FY09/18 (533 in Q1 FY09/17). The number of technicians registered in the company's books at the end of December 2017 was 4,629 (+1,051 YoY).

Meanwhile, the retention rate (number of technicians at Q1 period-end/ (number at end of previous period + new hires during cumulative current year)) rose 0.7pp YoY from 71.5% to 72.3%. The retention of newly hired technicians contributed to the number of registered technicians. According to Yumeshin, various post-hiring follow-up strategies such as a counseling system for employees using smartphone apps, improved training as well as clubs activities have increased connections between the company and its employees.

The staff utilization rate (number of technicians on assignment/total number of technicians) rose 1.6pp YoY from 93.3% to 94.9%. The rise in the utilization rate was due to an increase in sales staff and price negotiations efforts.

The average number of hours worked per day was 9.61 hours, down 1.1% (or 0.11 hours) YoY and largely flat QoQ. While the decline in work hours reflected the government's recent push for shorter working hours and improved conditions, the average number of hours worked per day was the same level as Q4 FY09/17.

Average hourly billing rate for technicians on assignment was JPY2,844 (+JPY71 YoY or +2.6%). The ratio of first year technicians whose average hourly billing rates are relatively low was 47.1% (+1.7pp YoY). Hourly billing rates for the technicians in all age groups increased; by age group, average hourly billing rates for first-year technicians were up 2.9% YoY, second-year up 3.5%, third-year up 2.7%, and four-plus years was up 0.4%. Given the robust demand for construction technician staffing, hourly billing rates have been on an upward trend.

Construction Technician Temporary Staffing: gross profit and SG&A expenses

The segment's gross profit margin rose to 31.8% (+2.0pp YoY) owing to improved staff utilization rates and billing rates. Gross profit increased to JPY2.2bn (+41.8% YoY) on higher sales and the improvement in the gross margin.

SG&A expenses were JPY1.1bn (+17.5% YoY), and the SG&A-to-sales ratio was 15.0% (-2.0pp). While personnel expenses were up due to increase in hiring costs and growing the sales staff, hiring costs per person declined by 27% versus the previous year.

Segment profit (operating profit) was higher and the segment operating profit margin rose 3.9pp YoY to 16.8%.

Engineer Temporary Staffing

- ▷ **Sales:** JPY2.3bn (+37.5% YoY)
- ▷ **Operating profit:** JPY182mn (+47.7% YoY)

As overseas economies improved, exports were robust and the business environment improved for automobile, electronic equipment, and semiconductor manufacturers, core clients for Yumeshin. The company dispatches IT engineers in the IT industry, where high investment demand has continued for infrastructure building and IT security. Investment has also increased for areas of leading-edge IT, such as the Internet of Things and artificial intelligence.

Under these conditions, the company set a yearly hiring plan of 1,200 engineers and focused on hiring activities in order to respond to the growing demand for engineers. In Q1 FY09/18, the company hired 159 engineers (107 engineers in Q1 FY09/17) and the number of engineers registered in the company's books at end December 2017 was 1,761 (+566 YoY).

Sales were up due to the increase in engineers. As for the key metrics of sales performance, the average number of engineers was up 47.6% YoY, the staff utilization rate was down 1.7pp, and the average billing rate was down 5.6%.

During the year, the company hired a total of 159 engineers (versus 107 in Q1 FY09/17), 68% of whom were women and 9% of whom were foreign nationals. Note that Yumeshin only hired 13.6% of the 1,200 engineers it planned to hire for the year. The average number of engineers during the year was 1,727 (versus 1,171 in Q1 FY09/17), and the number of engineers on the company's books at the end of December 2017 was 1,761 (versus 1,195 at the end of December 2016).

The staff utilization rate of 93.2% was down 1.7pp from 95.0% in Q1 FY09/17. Temporary staff redundancies due to an increase in hiring staff compared to Q1 FY09/16 pushed down the utilization ratio. However, the staff utilization rate rose 3.0pp versus Q4 FY09/17.

The average hourly billing rate was JPY2,850 (-5.6% YoY, or JPY168 less than the level in Q1 FY09/17). This decline was due to the increase in the number of relatively inexperienced engineers following mass recruiting and a broader range of temporary staffing destinations, which expanded from the usual research and development into maintenance support and personnel to support the installation of peripheral equipment. According to the company, billing rates in the segment declined as expected, but it was able to maintain the profit margin between its billing rates and personnel costs.

The segment's gross profit rose 40.6% YoY to JPY609mn and the gross profit margin rose 0.6pp to 26.7%.

SG&A expenses rose 42.2% YoY to JPY440mn, driven by increases in hiring costs (recruitment costs) and costs related to the shift to in-house staff training. The jump in SG&A expenses pushed the SG&A-to-sales ratio up 0.6pp to 19.3%.

As a result, the segment saw YoY an increase in operating profit while operating profit margin was the same level as Q1 FY09/17.

In Q1 FY09/18, the company's subsidiary, Yume Technology Co., Ltd. made Krung thep Co., Ltd., which runs an engineer dispatch business, a wholly-owned subsidiary. Yumeshin consolidated Krung thep's balance sheets in Q1 FY09/18 and plans to consolidate its income statements in Q2 FY09/18. Since Krung thep posted sales of JPY560mn and operating profit of JPY13mn in FY01/17, the company does not expect the consolidation of Krung thep to have much of an impact on FY09/18 earnings.

Other Businesses

- ▷ **Sales:** JPY129mn (+58.4% YoY)
- ▷ **Operating loss:** JPY81mn (JPY104mn operating loss in Q1 FY09/17)

In the Other Businesses segment, the company introduces personnel to various companies in the construction and manufacturing industries and provides hiring support services to Japanese companies which are seeking local personnel in Vietnam.

FY09/17 results

- ▷ **Sales:** JPY30.5bn (+31.1% YoY)
- ▷ **Operating profit:** JPY2.4bn (-2.9% YoY)
- ▷ **Recurring profit:** JPY2.4bn (-1.6% YoY)
- ▷ **Net income*:** JPY1.4bn (-12.1% YoY)

*Net income refers to net income attributable to parent company shareholders.

Revenue increased on growth in the Construction Technician Temporary Staffing and Engineer Temporary Staffing segments. Operating profit in the Construction Technician Temporary Staffing segment was up by 30.1% due to improved wages, however overall operating profit fell due to upfront spending in the Education business and IT business as well as higher expenses related to increased hires in the Engineer Temporary Staffing segment.

Overview by segment:

Construction Technician Temporary Staffing

- ▷ **Sales:** JPY22.6bn (+29.9% YoY)
- ▷ **Operating profit:** JPY2.9bn (+30.0% YoY)

Due to an aging workforce and shortage of young workers, dispatch demand at general contractors remained firm. The company focused on hiring, with a target of 2,000 technicians over the year, as major construction projects related to the 2020 Tokyo Olympic and Paralympic Games and to the Linear Chuo Shinkansen got into full swing.

Construction Temporary Staffing business: sales and key metrics of sales performance

Sales increased as the company hired more technicians—leading to an increase in the number of technicians utilized (higher utilization rate)—and increased its billing rates for temporary staff. As for the key metrics of sales performance, the average number of technicians was up 28.5% YoY, the staff utilization rate was down 0.5pp YoY, the average number of hours worked per day was down 1.0%, and the average hourly billing rate of technicians on assignment was up 3.4%

The company focused on hiring and, as a result, 2,666 new technicians joined the company during FY09/17 (versus 2,018 in FY09/16). The number of technicians registered on the company's books at end FY09/17 was 4,402 (+1,068 YoY). Meanwhile, the retention rate (number of technicians at period-end/ (number at end of previous period + new hires during current year)) rose 3.9pp YoY from 68.8% to 72.8%. The retention of newly hired technicians contributed to the number of registered technicians. According to Yumeshin, various post-hiring follow-up strategies such as improved training as well as clubs and activities have increased connections between the company and its employees.

The staff utilization rate (number of technicians on assignment/total number of technicians) declined 0.5pp YoY from 92.7% to 92.2%. The decline in utilization rate was due to increased hiring, extended training periods, and a pricing strategy prioritizing staff utilization over billing rates.

The average number of hours worked per day was 9.61 hours, down 1.0% (or 0.9 hours) versus the previous year. The decline in hours work reflected the government's recent push for shorter working hours and improved conditions.

Average hourly billing rate for technicians on assignment was JPY2,797 (+JPY91 YoY or +3.4%). The ratio of first year technicians whose average hourly billing rates are relatively low was 47.2% (+2.5pp YoY). Hourly billing rates for the technicians in all age groups increased; by age group, average hourly billing rates for first-year technicians were up 4.2% YoY, second-year up 3.1%, third-year up 1.6%, and four-plus years was up 0.3%. Given the robust demand for construction technician staffing, hourly billing rates have been on an upward trend.

Construction Technician Temporary Staffing: gross profit and SG&A expenses

The segment's gross profit margin rose to 30.1% (+1.2pp YoY) owing to improved billing rates. Gross profit increased to JPY6.8bn (+35.5% YoY) on higher sales and the improvement in the gross margin.

SG&A expenses were JPY3.9bn (+39.8% YoY), and the SG&A-to-sales ratio was 17.4% (+1.2pp YoY). Personnel expenses were up due to increases in hiring costs and growing the sales staff.

Segment profit (operating profit) was higher and the segment operating profit margin of 12.7% was unchanged from the previous year.

Engineer Temporary Staffing

- ▷ **Sales:** JPY7.4bn (+27.0% YoY)
- ▷ **Operating profit:** JPY178mn (-59.2% YoY)

As overseas economies improved, exports were robust and the business environment improved for automobile, electronic equipment, and semiconductor manufacturers, core clients for Yumeshin. The company dispatches IT engineers in the IT industry, where high investment demand has continued for infrastructure and IT security. Investment has also increased for areas of leading-edge IT, such as the Internet of Things and artificial intelligence.

Based on the growing demand for engineers, the company has revised its yearly hiring plan from Q3 to increase the number of hires from 675 to 1,000. Along with this, in order to construct a nimble training system, the company conducted an initiative to conduct training internally, a task that had been outsourced. In FY09/17, the company hired 941 engineers (460 engineers in FY09/16) and the number of engineers registered in the company's books at end September 2017 was 1,716 (+585 YoY).

Sales were up due to the increase in engineers. As for the key metrics of sales performance, the average number of engineers was up 40.7% YoY, the staff utilization rate was down 3.1pp, and the average billing rate was down 3.8%.

During the year, the company hired a total of 941 engineers (versus 460 in FY09/16), 56% of whom were women and 10% of whom were foreign nationals. The average number of engineers during the year was 1,414 (versus 1,005 in FY09/16), and the number of engineers on the company's books at the end of September 2017 was 1,716 (versus 1,131 at the end of FY09/16).

The staff utilization rate of 90.2% was down 1.8pp from 93.3% in FY09/16. In January 2017, the company boosted its hiring plans from 675 engineers to 1,000, and the increase in staff ended up bringing down the utilization ratio.

The average hourly billing rate was JPY2,972 (-3.8% YoY, or JPY119 less than in FY09/16). This decline was due to the increase in the number of relatively inexperienced engineers following mass recruiting and a broader range of temporary staffing destinations, which expanded from the usual research and development into maintenance support. According to the company, billing rates in the segment declined as expected, but it was able to maintain the profit margin between its billing rates and personnel costs.

The segment's gross profit rose 19.2% YoY to JPY1.8bn though the gross profit margin declined 1.6pp to 23.9%.

SG&A expenses rose 51.9% YoY to JPY1.6bn, driven by increases in hiring costs (recruitment costs) and costs related to the shift to in-house staff training. The jump in SG&A expenses pushed the SG&A-to-sales ratio up 3.5pp to 21.5%.

As a result, the segment saw YoY declines in both its operating profit and operating profit margin.

Education and Training

- ▷ **Sales:** JPY90mn
- ▷ **Operating loss:** JPY344mn

The company started this business from May 2016 and invested in course curriculum design, education and training facility maintenance and website design.

IT Services

- ▷ **Sales:** JPY374mn
- ▷ **Operating loss:** JPY86mn

This new segment was established in Q1 FY09/17. In it the company provided IT services, mainly to the construction industry, and off-shore development services for Vietnam.

Q3 FY09/17 results

- ▷ **Sales:** JPY22.1bn (+30.5% YoY)
- ▷ **Operating profit:** JPY1.8bn (-1.3% YoY)
- ▷ **Recurring profit:** JPY1.9bn (+1.9% YoY)
- ▷ **Net income*:** JPY1.1bn (-7.7% YoY)

*Net income refers to net income attributable to parent company shareholders.

Revenue increased on growth in the Construction Technician Temporary Staffing and Engineer Temporary Staffing segments.

Despite sales growth, operating profit declined due to upfront costs to increase the number of hires for future growth. Operating profit in the Construction Technician Temporary Staffing segment was up by 31.6% YoY due to improved wages, however overall operating profit fell due to upfront spending in the Education business and IT business as well as higher expenses related to increased hires in the Engineer Temporary Staffing segment.

Overview by segment:

Construction Technician Temporary Staffing

- ▷ **Sales:** JPY16.4bn (+29.5% YoY)
- ▷ **Operating profit:** JPY2.1bn (+31.6% YoY)

Due to an aging workforce and shortage of young workers, dispatch demand at general contractors remained firm. The company focused on hiring, with a target of 2,000 technicians over the year, in preparation for construction related to the 2020 Tokyo Olympic and Paralympic Games and to the Linear Chuo Shinkansen.

Construction Technical Temporary Staffing business: sales and key metrics of sales performance

Sales increased as the company hired more technicians—leading to an increase in the number of technicians utilized (higher utilization rate) —and increased wages.

As for the key metrics of sales performance, the average number of technicians was up 27.1% YoY, while the staff utilization rate was down 0.7pp YoY, and the average hourly wage increased 3.8% YoY

The company focused on hiring, and 1,865 new technicians were hired in cumulative Q3 FY09/17 (1,450 in Q3 FY09/16). The number of technicians registered in the company's books at end June 2017 was 3,992 (+867 YoY). Meanwhile, the retention rate increased 4.1pp YoY from 68.5% to 72.6%. The retention of hired technicians contributed to the number of registered technicians. According to Yumeshin, various post-hiring follow-up strategies such as improved training as well as clubs and activities have increased connections between the company and its employees.

The utilization rate was down 0.7pp YoY from 93.0% to 92.4%. The YoY decrease in utilization rate was due to increased hiring, the extended training period, and a pricing strategy prioritizing utilization rate.

Average hourly wages were JPY2,794 (+JPY102 YoY, +3.8% YoY). The ratio of first year technicians whose average hourly wages are relatively low was 45.9% (+0.2pp YoY). Hourly wages for the technicians in all age groups increased; by age group, average hourly wages for first year technicians were +4.8% YoY, second year +3.3% YoY, third year +1.2% YoY, and fourth year and beyond +0.5% YoY. Given the robust demand for construction technician staffing, hourly wages have been on an upward trend.

Engineering temporary staffing: gross profit and SG&A expenses

GPM of the segment increased to 30.1% (+1.3pp YoY) owing to improved wages. Gross profit increased to JPY4.9bn (+35.5% YoY) due to increases in sales and GPM.

SG&A expenses were JPY2.8bn (+38.5% YoY), and the SG&A-to-sales ratio was 17.2% (+1.1pp YoY). Personnel expenses were up due to increases in hiring costs and growing the sales staff.

Segment profit (operating profit) and OPM were up YoY.

Engineer Temporary Staffing

- ▷ **Sales:** JPY5.3bn (+25.9% YoY)
- ▷ **Operating profit:** JPY173mn (-39.70% YoY)

As overseas economies improved, exports were robust and the business environment improved for automobile, electronic equipment, and semiconductor manufacturers, core clients for Yumeshin. The company dispatches IT engineers in the IT industry, where high investment demand has continued for infrastructure and IT security. Investment has also increased for areas of leading-edge IT, such as the Internet of Things and artificial intelligence.

Based on the growing demand for engineers, the company has revised its yearly hiring plan from Q3 to increase the number of hires from 675 to 1,000. Along with this, in order to construct a nimble training system, the company conducted an initiative to conduct training internally, a task that had been outsourced. In Q3 FY09/17, the company hired 655 engineers (362 engineers in Q3 FY09/16) and the number of engineers registered in the company's books at end June 2017 was 1,559 (+468 YoY).

Sales were up due to the increase in engineers. As for the key metrics of sales performance, the average number of engineers was up 36.8% YoY, the staff utilization rate was down 1.8pp YoY, and wages decreased 4.4% YoY.

In Q3 FY09/17, the company hired 655 engineers (362 in Q3 FY09/16). The average number of engineers was 1,330 (972 in Q3 FY09/16), and the number of engineers registered in the company's books at end-June 2017 was 1,559 (1,091 in Q3 FY09/16).

The staff utilization rate was 91.0%, down 1.8pp YoY from 92.9%. In January 2017, the company revised its hiring plan from 675 engineers to 1,000, and the higher number of personnel decreased the utilization ratio.

The average hourly wage was JPY2,993 (-4.4% YoY, or JPY136 less than in Q3 FY09/16). This decline was due to the increase in relatively inexperienced engineers following mass recruiting and a broader range of temporary staffing destinations, expanding from the usual research and development into maintenance support. According to the company, prices in the segment declined as expected, and it was maintaining profit margins of wages and labor costs.

Gross profit came to JPY1.3bn (+22.2% YoY), and the GPM fell 0.7pp YoY to 24.5%.

SG&A expenses came to JPY1.1bn (+44.4% YoY), rising owing to increased hiring costs (recruitment costs) and costs related to the shift to in-house staff training. The SG&A-to-sales ratio was up 2.8pp YoY to 21.3%.

As a result, the segment saw a YoY decrease in both operating profit and OPM.

Education and Training

- ▷ **Sales:** JPY61mn
- ▷ **Operating loss:** JPY277mn

The company started this business from May 2016 and invested in course curriculum design, education and training facility maintenance and website design.

IT Services

- ▷ **Sales:** JPY265mn
- ▷ **Operating loss:** JPY102mn

This new segment was established in Q1 FY09/17. In it the company provided IT services, mainly to the construction industry, and off-shore development services for Vietnam.

FY09/16 results

- ▷ **Sales:** JPY23.3bn (+10.2% YoY)
- ▷ **Operating profit:** JPY2.4bn (+40.9% YoY)
- ▷ **Recurring profit:** JPY2.5bn (+25.7% YoY)
- ▷ **Net income*:** JPY1.6bn (-13.7% YoY)

*Net income refers to net income attributable to parent company shareholders.

Revenue increased on growth in the Construction Technician Temporary Staffing and Engineer Temporary Staffing segments. Operating profit was up due to improved wages at the Construction Technician Temporary Staffing segment. As operating profit increased, so did recurring profit. In FY09/15, the company booked extraordinary gains of JPY1.5bn from the sale of shares in a subsidiary, but as there were no such gains in FY09/16, net income attributable to parent company shareholders was down YoY.

Until FY09/15 segment earnings were adjusted to recurring profit in the consolidated income statement. After Q1 FY09/16, these figures are adjusted to operating profit.

Construction Technician Temporary Staffing

- ▷ **Sales:** JPY17.4bn (+25.6% YoY)

▷ **Operating profit:** JPY2.2bn (+27.6% YoY)

Due to an aging workforce and shortage of young workers, dispatch demand at general contractors remained firm. The company focused on hiring, with a target of 2,000 technicians over the year, in preparation for the development rush centered on the Greater Tokyo Area and construction related to the 2020 Tokyo Olympic and Paralympic Games and to the Linear Chuo Shinkansen.

Sales and key metrics for Construction Technician Temporary Staffing

Sales increased as the company hired more technicians, leading to an increase in the number of technicians utilized and improved hourly wages.

As for the key metrics of sales performance, the average number of technicians was up 21.7% YoY, while the staff utilization rate was down 1.9pp YoY, and the average hourly wage increased 2.3% YoY.

As a result of recruiting efforts, the company hired 2,018 new technicians in FY09/16 (1,702 in the previous year). The average number of technicians was 3,027 (2,497 in the previous year) and that of technicians registered in the company's books at end September 2016 was 3,334 (2,760 at end September 2015). An improvement of 1.1pp in the retention rate to 68.7%, and the increase in number of technicians hired led to an increase in the total number of company employees. According to the company, follow-up strategies such as club activities for employees have proven successful in improving the retention rate.

The staff utilization rate was 92.7%, down 1.9pp YoY from 94.6%. This decline was related to the increase in the number of technicians recruited, an expanded training period, and revision of pricing strategies to prioritize the staff utilization rate.

The average hourly wage was JPY2,706 (+2.3% YoY, or JPY62 more than the previous year). The proportion of first-year technicians with relatively low average wages decreased 2.3pp to 44.7%. It is the fourth year since the company started mass hiring, and the ratio of first-year technicians is decreasing. The average wage increased by 2.1pp for first-year technicians, 0.8pp for second-year, and 1.5pp for those in their fourth year or more, but it decreased by 1.6pp for third-year, and.

Focusing on Q4 (July to September) FY09/16, the average hourly wage was JPY2,745 (+7.2% YoY, or JPY184 more than Q4 FY09/15). The average wage rose YoY by 10.4% for first-year technicians and 4.0% for second-years, but decreased by 1.6% for third-years. The average wage also rose 3.2% for technicians in their fourth year or more. A revision of the pricing strategies to prioritize utilization rates was conducted in Q3 FY09/15, but the impact of such strategies has tapered off after a year, and the average hourly wage has improved in general. However, the average wage declined for third-year technicians alone due to a large number of long-term contracts, meaning the revised pricing is still taking effect.

According to the company, there is strong demand of Construction Technician Temporary Staffing, and it recognizes it has yet to face price competition with similar companies in the industry, so it is raising prices. The company restrained hiring in March and April in order to maintain pricing in Q3 (April to June), which is the off-season for construction demand. There are also ongoing negotiations on pricing from Q3 onward, and these factors have led to an uptrend in the average hourly wage.

Gross profit and SG&A expenses for Construction Technician Temporary Staffing

GPM was 28.9% (down 0.2pp YoY) due to the lower staff utilization rate, but gross profit still managed to reach JPY5.0bn (+24.5% YoY) thanks to an increase in sales. In the three months of Q4 (July to September) FY09/16, the GPM was 29.3% (+4.7pp YoY) and gross profit was JPY1.4bn (+32.3% YoY). A revision of the pricing strategies to prioritize utilization rates was conducted in Q3 FY09/15, but the impact tapered off after a year, allowing the average hourly wage to improve.

SG&A expenses came to JPY2.8bn (+22.1% YoY) and the SG&A-to-sales ratio was 16.2% (down 0.4pp YoY). Labor and hiring expenses increased, but hiring costs were kept under control, which helped lower the SG&A-to-sales ratio YoY.

As a result, the segment saw an increase in profit.

Engineer Temporary Staffing

- ▷ **Sales:** JPY5.8bn (+21.6% YoY)
- ▷ **Operating profit:** JPY436mn (-9.1% YoY)

Despite the impact from overseas economies on Yumeshin's core manufacturing clients, overall sentiment generally remained the same, with continued high investment demand for streamlining and labor-saving. Yumeshin also dispatches IT engineers in the IT industry, where there has been increasing investment in infrastructure and leading-edge IT (fintech, AR, VR, and IoT), where significant growth is anticipated.

Given this environment, the company was developing new markets, in which it anticipates strong activity from young engineers and female engineers. It also focused on hiring machinery and IT engineers. As a result, in FY09/16, the company hired 460 engineers (289 in FY09/15). The average number of engineers was 1,131 (853 engineers in FY09/15), and the number of engineers registered in the company's books at end-September 2016 was 1,005 (754 at end-September 2015).

Sales were up due to the increase in engineers. Profits were down despite the rise in sales due to an increase in hiring costs.

As for the key metrics of sales performance, the average number of engineers was up 33.8% YoY, while the staff utilization rate was down 2.0pp YoY, and wages decreased 4.8% YoY.

As a result of recruiting efforts, in FY09/16, the company hired 460 engineers (289 in FY09/15). The average number of engineers was 1,131 (853 engineers in FY09/15), and the number of engineers registered in the company's books at end September 2016 was 1,005 (754 at end September 2015).

The staff utilization rate was 93.3%, down 2.0pp YoY from 95.3%. This decline was related to the increase in the number of engineers recruited.

The average hourly wage was JPY3,091 (-4.8% YoY, or JPY155 less than FY09/15). This decline was due to the increase in relatively inexperienced engineers following mass recruiting and a broader range of temporary staffing destinations, expanding from the usual research and development into maintenance support. According to the company, prices in the segment declined as expected, and it was able to maintain profit margins of wages and labor costs.

Gross profit came to JPY1.5bn (+21.4% YoY), and the GPM remained flat YoY at 25.5%.

SG&A expenses came to JPY1.0bn (+41.0% YoY), rising owing to increased hiring costs (recruitment costs). The SG&A-to-sales ratio was up 2.5pp YoY to 18.0%.

As a result, the segment saw lower profits despite increased sales.

Recruitment

- ▷ **Sales:** JPY118mn
- ▷ **Operating loss:** JPY54mn

From June 2015 the company began this recruitment business for companies in the construction and manufacturing industries.

FY09/15 results

- ▷ **Sales:** JPY21.1bn (+28.1% YoY)

- ▷ **Operating profit:** JPY1.7bn (-7.0% YoY)
- ▷ **Recurring profit:** JPY2.0bn (-33.6% YoY)
- ▷ **Net income:** JPY1.9bn (-16.2% YoY)

Revenue increased on growth in the Temporary Staffing segment for construction technicians and engineers. Although operating profit rose due to improvements in the operation rate and unit fees for temporary staffing in the company's staffing business for construction technicians, overall operating profit was down as operating losses widened in the childcare support, nursing, and overall construction segments. Recurring profit was down YoY, owing to a difficult comparison with FY09/14, when the company booked a gain on the sale of investment securities of JPY958mn. Net income decreased on extraordinary losses of JPY279mn from valuation losses on investment securities, despite extraordinary income of JPY1.49bn from the sale of subsidiaries in the company's non-core businesses.

Construction Technician Temporary Staffing

- ▷ **Sales:** JPY13.8bn (+18.0% YoY)
- ▷ **Operating profit:** JPY1.8bn (+4.3% YoY)

Sales rose as the company was able to utilize more people after hiring more technicians, increase utilization rates, and increase wages for dispatch workers.

Due to an aging workforce and shortage of young workers, demand for dispatch workers at general contractors remained firm. The company focused on hiring, with a target of 1,600 technicians within the year. The company hired 1,702 new technicians in FY09/15 (1,628 in FY09/14). The average number of technicians was 2,497 (2,101 in FY09/14) and that of technicians registered with the company at end September 2015 was 2,760 (2,277 at end September 2014).

One of the company's targets for FY09/15 was to improve the retention rate (registered technicians at year-end ÷ [registered technicians at previous year-end + total number that joined during the year]). To attain this goal, it introduced a site rotation system and the possibility of a minimum guaranteed level of salary for employees in their first year at the company. For employees in their second year, the company created a wage system that reflected their knowledge and qualifications. For employees in their third year and up, Yumeshin offered fixed wages and also followed up with training at head office. As a result, the retention rate showed signs of improvement at 69.4%, up from the 67.8% of the previous year.

The utilization rate increased 1.2pp YoY, from 93.4% to 94.6%. The utilization rate trended down in Q3 owing to reduced demand for personnel from the construction industry. But the company was able to lift the rate higher by controlling new hires.

Average hourly wages increased JPY75 to JPY2,644 (+2.9% YoY). The portion of new technicians—with relatively low wages—fell, and wages rose for technicians who had been with the company for several years, with the exception of those in their second year of employment. The proportion of first-year technicians declined 4.2pp to 47.0% in Q4. Average wages per year of employment were as follows:

- ▷ New technicians: +3.2% YoY
- ▷ Second year: -1.8% YoY
- ▷ Third year: +2.2% YoY
- ▷ Fourth year: +2.3% YoY

Wages for second-year technicians fell owing to measures to prevent employee turnover on grounds of time spent on call: It ensured labor utilization by lowering wages on purpose.

Gross profit totaled JPY4.0bn (+12.3% YoY). GPM decreased 1.5pp YoY to 29.2%. Despite the higher utilization rate and higher average wages, cost of sales rose owing to the decision to provide 100% compensation for time spent on call (previously 60%) from FY09/15.

SG&A expenses were JPY2.3bn (JPY1.9bn in the previous term), and hiring, personnel, and rent expenses (from relocating headquarters) rose. The SG&A-to-sales ratio rose 0.1pp to 16.6%.

Engineer Temporary Staffing

- ▷ **Sales:** JPY4.8bn (+13.9% YoY)
- ▷ **Operating profit:** JPY484mn (+29.2% YoY)

Production recovered at core manufacturing clients, supported by a correction to the yen's appreciation. Yumeshin also dispatches IT engineers in the IT industry, where corporate systems investment is picking up after a few years of restricted investment.

The mainstay engineer outsourcing business booked JPY4.1bn in sales (+29.9% YoY) and JPY432mn in operating profit (+40.5% YoY). The company focused on hiring machinery and IT engineers, acquiring new clients, and increasing utilization rates. The number of engineers (monthly average at the end of the term) came to 859 (+41.1% from the end of the previous term), unit price stood at JPY3,246 (+0.4% YoY), and utilization rate was 95.3% (-0.7pp YoY).

Income statement

Income statement (JPYmn)	FY09/08	FY09/09	FY09/10	FY09/11	FY09/12	FY09/13	FY09/14	FY09/15	FY09/16	FY09/17
	Cons.	Par.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
Total sales	7,080	5,483	4,862	6,817	10,982	12,538	16,482	21,116	23,271	30,510
YoY	-81.8%	-22.6%	-11.3%	40.2%	61.1%	14.2%	31.5%	28.1%	10.2%	31.1%
Cost of sales	5,043	3,723	3,371	4,918	7,824	9,088	11,900	15,966	16,707	21,730
Gross profit	2,037	1,759	1,490	1,899	3,159	3,450	4,583	5,150	6,563	8,781
GPM	28.8%	32.1%	30.7%	27.9%	28.8%	27.5%	27.8%	24.4%	28.2%	28.8%
SG&A expenses	1,548	1,003	970	1,357	1,964	2,220	2,726	3,423	4,130	6,419
SG&A ratio	21.9%	18.3%	20.0%	19.9%	17.9%	17.7%	16.5%	16.2%	17.7%	21.0%
Operating profit	489	756	520	543	1,195	1,230	1,857	1,727	2,433	2,362
YoY	69.7%	54.5%	-31.2%	4.4%	120.1%	3.0%	51.0%	-7.0%	40.9%	-2.9%
OPM	6.9%	13.8%	10.7%	8.0%	10.9%	9.8%	11.3%	8.2%	10.5%	7.7%
Non-operating income	125	199	185	232	269	648	1,379	356	246	219
Non-operating expense	243	147	152	324	168	107	284	123	216	157
Recurring profit	372	807	552	451	1,296	1,771	2,952	1,960	2,463	2,424
YoY	51.9%	117.1%	-31.6%	-18.3%	187.2%	36.7%	66.7%	-33.6%	25.7%	-1.6%
RPM	5.3%	14.7%	11.4%	6.6%	11.8%	14.1%	17.9%	9.3%	10.6%	7.9%
Extraordinary gains	265	25	84	7	10	266	500	1,489	2	63
Extraordinary losses	261	164	150	145	57	42	18	318	4	248
Tax charges	38	-11	78	219	469	536	1,093	1,189	708	910
Implied tax rate	10.0%	-1.7%	16.0%	69.7%	37.5%	26.8%	31.8%	38.0%	28.8%	40.6%
Net income attrib. to non-controlling interests	11		23	-7	40	71	95	61	130	-97
Net income	328	679	386	102	739	1,389	2,246	1,882	1,623	1,426
YoY	-194.3%	106.9%	-43.2%	-73.5%	622.5%	88.0%	61.8%	-16.2%	-13.7%	-12.1%
Net margin	4.6%	12.4%	7.9%	1.5%	6.7%	11.1%	13.6%	8.9%	7.0%	4.7%

Source: Shared Research based on company data
 Note: Figures may differ from company materials due to differences in rounding methods.

FY09/14 results

Sales were JPY16.5bn (+31.5% YoY), operating profit was JPY1.9bn (+51.0% YoY), recurring profit was JPY3bn (+66.7% YoY) and net income was JPY2.3bn (+61.8% YoY). With profits such as a profit on sales of securities (JPY964mn) counted as non-operating profits, the rates of YoY growth of recurring profit and net income surpassed the growth rate of operating profit.

According to the company, the outline of its main business segments are as follows.

Construction Technician Temporary Staffing

- ▷ **Sales:** JPY11.7bn (+43.7% YoY)
- ▷ **Operating profit:** JPY1.7bn (+38.3% YoY)

Due to an aging workforce and shortage of young workers, dispatch demand at general contractors remained firm. The company focused on hiring, with a target of 1,600 technicians over the year in preparation for higher domestic infrastructure investment in disaster-resistant construction, reconstruction efforts in northern Japan, and construction related to the 2020 Tokyo Olympic Games. The company hired 1,628 new technicians in FY09/14 (1,233 in FY09/13). The average number of technicians was 2,101 (1,376 the previous year) and that of technicians registered in the company's books at end September 2014 was 2,277 (1,729 at end September 2013).

Sales were higher as more technicians were dispatched. However, despite increased hiring as mentioned above, the total number of technicians on the company's books fell short of initial company plans, which called for a total of 2,900 people. This was because more technicians left the company than initially estimated. Employee retention for FY09/14 (number of technicians at end FY09/14 divided by the sum of the number of technicians at the beginning of FY09/14 and new hires in FY09/14) was 67.8%, down by 6.1pp YoY.

Gross profit was JPY3.6bn (+39.2% YoY). Gross profit margin was down by 1.0pp YoY to 30.7% as utilization rates, utilization times, and hourly rates all declined.

The utilization rate for FY09/14 was 93.4%, down by 0.7pp YoY. Primary factors were large-scale hiring activities undertaken by the company since Q3 FY09/13, and seasonal effects from the construction industry, which has lower utilization between the months of April and June. Average hourly wages were JPY2,569 (down by JPY21 YoY), also owing to the hiring of new workers who required lower wages due to lack of work experience. However, wages for experienced workers were up, a result of labor shortages in the construction sector. Growth in average wages for workers was as follows:

- ▷ First year: +5.4% YoY
- ▷ Second year: +3.2% YoY
- ▷ Third year: +3.2% YoY
- ▷ Fourth year: +2.0% YoY

The proportion of new technician hires rose to 59.6% during Q2, but as year passed since the company implemented the large-scale hiring process, this proportion gradually decreased to 53.4% in Q3, and 51.2% in Q4.

SG&A expenses were JPY1.9bn (JPY1.5bn in FY09/13), as hiring and personnel costs increased. During the October-December 2013 quarter, costs increased temporarily due to hiring efforts, including more advertising on recruitment websites and television commercials. But after reevaluation, the company restricted efforts to successful outlets, and managed to control the increasing costs during the year. As a result, the Q4 cost-to-sales ratio declined to 15.5% from 19.1% in Q1, and was down by 1.5pp YoY for the full year to 16.5%.

Engineer Temporary Staffing

- ▷ **Sales:** JPY4.2bn (+7.1% YoY)
- ▷ **Operating profit:** JPY374mn (+23.8% YoY)

Production recovered at core manufacturing clients, particularly auto manufacturers, supported by a correction to the yen's appreciation. Yumeshin also dispatches IT engineers in the IT industry, where corporate systems investment is picking up after a

few years of restricted investment. The company focused on hiring machinery and IT engineers, acquiring new clients, and increasing utilization rates.

FY09/13 results

Sales increased to 12.5 billion yen (+14.2% YoY), aided by increased revenue from the company's main business, that of Construction Technician Temporary Staffing. Despite higher administrative costs as the company took on more technicians and sales staff, operating profit increased to 1.2 billion yen (+3.0% YoY), due to improved staff utilization rates in the company's Engineer Temporary Staffing business. Recurring profit increased to 1.8 billion yen (+36.7% YoY), as a result of an increase to subsidies for the company's daycare facilities, and because the company reported sales of marketable securities. Net income increased to 1.4 billion yen (+88.0% YoY), due to the company's sale of shares in its subsidiary, Yume Technology Co., Ltd.

Construction Technician Temporary Staffing

- ▷ **Sales** JPY8.2bn (+26.1% YoY)
- ▷ **Operating profit** JPY1.2bn (+5.1% YoY)

The company has increased the number of technicians on its books from 1,108 in September 2012, to 1,729 as of September 2013 (an increase of 621). The technicians' working hours averaged 10.2 hours per day (up from 10.1 in September 2012), and the average wage was 3,085 yen per hour (up from 2,991 yen). Of the four indicators of sales performance in this segment—total number of technicians, working hours, wages, and staff utilization rate—all except staff utilization rate increased. The utilization rate (number of staff sent out to a construction site divided by the number of total dispatch staff) dropped from 98.6% last year to an average of 94.1% this year, because approximately 60% of the company's new hires for the year were concentrated in Q3 (April to June). During Q3 the utilization rate temporarily dropped to 87.1%, before recovering to 96.1% by the end of Q4.

Engineer Temporary Staffing

- ▷ **Sales** JPY3.9bn (-4.8% YoY)
- ▷ **Operating profit** JPY302mn (+24.5%YoY)

FY09/12

Sales grew 61.1% YoY to 11.0 billion yen thanks to sales growth at the mainstay Construction Technician Temporary Staffing segment and contributions from new consolidated subsidiary Yume Technology Co., Ltd. (involved in the Engineer Temporary Staffing segment). Operating profit soared 120.1% YoY to 1.2 billion yen thanks to higher Construction Technician Temporary Staffing profit, contributions from Yume Technology, and higher profitability in the Daycare Services segment and the Medical and Nursing Support segment. Construction technicians' daily working hours averaged 10.1 hours (9.9 hours in FY09/11), and the unit price was 2,991 yen per hour (2,907 yen in FY09/11). To sum up, the four indicators underpin the company's sales—namely, technician counts, utilization rates, working hours, and unit prices—were all higher YoY.

FY09/11

Sales increased 40.2% YoY to 6.8 billion yen while at the parent level, sales rose 12.6% YoY to 5.5 billion yen. The consolidation of Unitech Soft Inc. in January 2011 and Fullcast Technology Co., Ltd. (now Yume Technology Co., Ltd.) in May 2011 both contributed to the higher top-line figure.

FY09/10

Sales fell 11.3% YoY to 4.9 billion yen. Construction companies, the main clients for the company's Temporary Staffing services, faced a very harsh business environment, so demand was low. With the budgets for construction drying up, the company attempted to find demand in other construction-related areas, such as electrical, equipment, and civil engineering projects. Despite these efforts, there was a YoY decline in performance, and operating profit fell 31.2% YoY to 520 million yen.

Historical results vs. estimates

Results vs. Initial Est. (JPYmn)	FY09/08 Cons.	FY09/09 Par.	FY09/10 Cons.	FY09/11 Cons.	FY09/12 Cons.	FY09/13 Cons.	FY09/14 Cons.	FY09/15 Cons.	FY09/16 Cons.	FY09/17 Cons.
Sales (Initial Est.)	8,100	6,250	5,120	5,200	11,000	13,500	18,000	25,000-25,500	23,000	23,000
Sales (Results)	7,080	5,483	4,862	6,817	10,982	12,538	16,482	21,116	23,271	30,510
Results vs. Initial Est.	-12.6%	-12.3%	-5.0%	31.1%	-0.2%	-7.1%	-8.4%	-	1.2%	32.7%
Operating profit (Initial Est.)	1,050	680	710	620	1,250	2,100	-	-	-	3,600
Operating profit (Results)	489	756	520	543	1,195	1,230	-	-	-	2,362
Results vs. Initial Est.	-53.4%	11.2%	-26.8%	-12.5%	-4.4%	-41.4%	-	-	-	-34.4%
Recurring profit (Initial Est.)	900	652	750	620	620	2,200	3,200-4,200	-	-	3,600
Recurring profit (Results)	372	807	552	451	1,296	1,771	2,952	-	-	2,424
Results vs. Initial Est.	-58.7%	23.8%	-26.4%	-27.2%	109.0%	-19.5%	-	-	-	-32.7%
Net income (Initial Est.)	510	603	560	350	350	1,300	2,100-2,600	2,250-3,200	2,000	2,100
Net income (Results)	328	679	386	102	739	1,389	2,246	1,882	1,623	1,426
Results vs. Initial Est.	-35.7%	12.6%	-31.1%	-70.8%	111.1%	6.8%	-	-	-18.9%	-32.1%

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Balance sheet

Balance sheet (JPY mn)	FY09/08 Cons.	FY09/09 Par.	FY09/10 Cons.	FY09/11 Cons.	FY09/12 Cons.	FY09/13 Cons.	FY09/14 Cons.	FY09/15 Cons.	FY09/16 Cons.	FY09/17 Cons.
TOTAL ASSETS										
Cash and deposits	2,105	1,710	2,020	2,304	2,558	4,246	5,755	11,460	8,724	8,556
Marketable securities	200	-	-	1	7	17	-	-	-	-
Accounts receivable	1,107	744	721	1,425	1,626	1,860	2,524	2,748	3,642	4,854
Inventories	2	1	1	1	1	1	1	1	1	1
Other current assets	581	377	322	260	583	373	607	1,023	988	1,459
Allowance for doubtful accounts	-167	-17	-37	-74	-85	-22	-32	-22	-22	-30
Total current assets	3,628	2,816	3,027	3,917	4,684	6,457	8,856	15,210	13,334	14,839
Buildings and structures (net)	719	734	634	761	739	823	469	462	583	489
Machinery, equipment and vehicles (net)	10	7	2	5	3	2	12	7	5	3
Land	642	664	578	578	578	578	278	408	703	505
Other fixed assets (net)	-	-	3	24	16	16	15	26	36	65
Total tangible fixed assets	1,380	1,405	1,230	1,388	1,412	1,465	811	940	1,353	1,080
Investment securities	252	347	467	293	689	1,166	1,072	1,772	1,566	2,602
Investment real estate (net)	-	-	-	-	-	-	1,135	1,118	1,106	-
Other	285	294	321	273	219	273	516	409	521	786
Investments and other assets	536	641	788	566	908	1,440	2,723	3,299	3,193	3,388
Intangible fixed assets	2	40	36	759	666	553	416	348	1,221	1,060
Total fixed assets	1,918	2,086	2,055	2,713	2,986	3,458	3,950	4,588	5,766	5,528
Total deferred assets	-	-	-	-	-	-	-	-	18	34
Total assets	5,545	4,902	5,082	6,630	7,670	9,916	12,806	19,798	19,118	20,401
LIABILITIES										
Accounts payable	14	10	8	10	14	9	12	9	11	25
Short-term debt	1,195	1,119	702	2,195	1,826	840	856	1,106	891	1,733
Accrued expenses	299	225	262	521	551	643	799	1,069	1,058	1,408
Other current liabilities	201	184	130	674	1,011	964	1,925	1,848	1,591	2,681
Total current liabilities	1,710	1,538	1,102	3,400	3,402	2,455	3,593	4,031	3,552	5,848
Long-term debt	1,922	1,198	2,020	1,088	1,509	1,649	893	1,219	1,645	1,045
Other fixed liabilities	1	5	4	384	423	433	414	430	410	427
Total fixed liabilities	1,923	1,203	2,024	1,472	1,932	2,082	1,307	1,649	2,055	1,473
Total liabilities	3,633	2,740	3,126	4,872	5,334	4,538	4,899	5,681	5,606	7,321
Net assets										
Capital stock	805	805	805	805	805	805	805	805	805	805
Capital surplus	868	868	868	868	868	2,205	3,803	9,346	9,555	9,701
Retained earnings	927	1,460	1,693	1,670	2,262	3,323	3,842	3,488	2,315	1,317
Treasury stock	-678	-975	-1,375	-1,770	-1,790	-1,290	-1,013	-0	-0	-0
Share subscription rights	-	-	-	3	11	6	13	19	96	72
Non-controlling interests	-	-	2	193	227	376	518	542	847	1,026
Total net assets	1,925	2,161	1,956	1,757	2,336	5,378	7,907	14,117	13,512	13,080
Working capital	1,094	735	714	1,417	1,614	1,852	2,513	2,740	3,632	4,829
Total interest-bearing debt	3,117	2,317	2,722	3,284	3,335	2,488	1,749	2,325	2,536	2,779
Net debt	812	606	702	978	771	-1,774	-4,006	-9,136	-6,187	-5,777

Source: Shared Research based on company data
 Note: Figures may differ from company materials due to differences in rounding methods.

Assets

The company's assets have varied considerably due to the addition and removal of subsidiaries from the scope of consolidation.

At the end of FY09/04, total assets were 5.3 billion yen, but total assets grew to 47.9 billion yen in FY09/06. Starting in FY09/07, the company reversed the acquisition trend and began focusing on its main operations. The company sold non-core businesses during FY09/07. Total assets fell to 4.9 billion yen for FY09/09.

The company's assets increased due to growth at its core businesses, and in FY09/17, total assets stood at JPY20.4bn. Liquid assets, a major asset item on the balance sheet, accounted for 72.7% of total assets. The company's core business is staffing, with the majority of its liquid assets in cash and deposits (41.9% of total assets in FY09/17) and in accounts receivable (notes and accounts receivables) (23.8%). Following dividend payments of JPY2.4bn during FY09/17, the company finished FY09/17 with a combined cash and deposit balance of JPY8.6bn.

Tangible fixed assets are mainly the company's head office and its various hiring centers. Together they constituted 5.3% of total assets in FY09/17.

Liabilities

The company had JPY2.6bn of interest-bearing debt at the end of FY09/04, which grew to JPY23.7bn at the end of FY09/06 because of business expansion that relied on M&A and the creation of new subsidiaries. The company subsequently refocused on its main operations and as of the end of FY09/17 interest-bearing debt was down to JPY2.8bn. Net debt (interest-bearing debt minus cash, deposits, and short-term securities combined) has been on the decline since FY09/13.

Net assets

Vary in response to acquisitions of treasury stock or changes in retained earnings as net income or loss are realized each term. The increase in net assets after the end of FY09/13 was largely due to retained earnings and disposal of treasury stock. Capital stock in FY09/13, FY09/14 and FY09/15 increased JPY1.8bn, JPY1.9bn and JPY6.6bn respectively following the disposal of treasury stock.

The equity ratio fell to 3.3% in FY09/06 and, following financial and other restructuring, stands at 58.7% as of the end of FY09/17.

Statement of cash flows

Statement of cash flows (JPYmn)	FY09/08 Cons.	FY09/09 Par.	FY09/10 Cons.	FY09/11 Cons.	FY09/12 Cons.	FY09/13 Cons.	FY09/14 Cons.	FY09/15 Cons.	FY09/16 Cons.	FY09/17 Cons.
Cash flows from operating activities (1)	504	941	558	528	1,064	793	1,659	713	726	1,690
Cash flows from investing activities (2)	1,670	82	-498	-409	202	180	620	-178	-1,118	424
Free cash flow (1+2)	2,174	1,024	60	119	1,267	973	2,279	535	-392	2,113
Cash flows from financing activities	-3,105	-1,237	-178	4	-152	595	-734	5,272	-2,173	-2,027
Depreciation and amortization (A)	27	26	35	84	168	79	165	212	223	424
Capital expenditures (B)	22	-49	135	-80	-6	-40	-887	-393	-474	-144
Working capital changes (C)	-1,112	-359	-21	703	197	238	662	227	892	1,197
Simple FCF (NI + A + B - C)	1,488	1,015	576	-596	704	1,189	862	1,474	480	508

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Cash flows from operating activities

Trends for cash flows from operating activities are typical, varying with net income or loss and changes in working capital. In FY09/06 and FY09/07 cash flows from operating activities were negative. The principle causes were a sudden increase in working capital FY09/06, and net losses in FY09/07.

Cash flows from investing activities

Cash flows from investing activities vary mainly with acquisition or sale of investment securities.

In FY09/16, cash flows from investing activities were the result of outflows of JPY1.1bn (minus). This came from capital and business alliances and the conversion of certain companies to subsidiaries to facilitate human resource education and the dispatch of temporary staff for IT technology in the future. A breakdown shows outflows of JPY204mn to acquire affiliate shares, JPY455mn to acquire subsidiary stocks and JPY103mn to transfer a business.

Cash flows from financing activities

Through FY09/06, the cash flows from financing activities tended to be positive due to the issue of corporate bonds or borrowings accompanying the expansion of operations. Since FY09/07 the trends reversed as the company repaid bank debt and redeemed corporate bonds. The disposition of treasury shares in FY09/15 generated an income of JPY6.6bn, resulting in a positive cash flow from financing activities.

Simple free cash flow

The main sources of change have come from changes in the net income and working capital.

Other information

History

The company was founded in 1970 as a construction design office by Shingo Sato, current Chairman and CEO. Subsequently, it became Sato Construction Design Ltd., and in October 1990, in order to expand the size of the business, the company was incorporated (and changed its name to Yumeshin Co., Ltd.). The company started a staffing business in 1991. The company launched an M&A-based expansion program in 2005, with the goal of becoming a general construction company, but with the harsh business environment and worsening business efficiency, all of the acquired firms were sold off. Since that time, the company has focused on developing its core staffing business in the construction industry.

January 1980	Established Sato Construction Design Ltd. aiming to provide construction drawings
April 1985	Started building overseas network for construction drawings
April 1987	Started ordering construction drawing to design offices overseas
October 1990	Incorporated and changed its name to Yumeshin Co., Ltd.
March 1991	Started operation of Construction Technician Temporary Staffing business
October 1994	Relocated head office to 3-23-14 Higashi-ikebukuro, Toshima-ku, Tokyo
December 1996	Established Yumeshin Vietnam Co., Ltd. to enhance overseas production capacity
December 2001	Started research on, and prototype provision of, color construction drawings
September 2003	Listed on the Osaka Stock Exchange (Hercules: 2362)
April 2004	Relocated head office to 3-1-1 Higashi-ikebukuro, Toshima-ku, Tokyo
April 2005	Transitioned to a pure holding company and changed name to Yumeshin Holdings Co., Ltd. New company Yumeshin Co., Ltd. established for succession of business operations
February 2006	Relocated head office to 3-11-6 Otsuka, Bunkyo-ku, Tokyo
October 2007	Yumeshin Holdings Co., Ltd. took over Yumeshin Co., Ltd. in absorption-type merger
October 2010	Listed on Osaka Securities Exchange JASDAQ following market consolidation
January 2011	Made Unitech Soft Co., Ltd. a subsidiary
May 2011	Made Yume Technology Co., Ltd. (former Fullcast Technology Co., Ltd.) a subsidiary through tender offer
January 2012	Opened Yume Tansaku Café, a satellite office for recruiting, in Shibuya-ku, Tokyo, ahead of other sites in Japan
July 2013	Listed on Tokyo Stock Exchange JASDAQ following market consolidation
October 2014	Merged Yume Technology Co., Ltd. with Unitech Soft Co., Ltd. in absorption-type merger Group technicians exceeded 2000.
November 2014	Relocated head office to 1-4-1 Marunouchi, Chiyoda-ku, Tokyo
February 2015	Established Yume Agent Co., Ltd.
August 2015	Yume Agent Co., Ltd. made Buzz Box Co., Ltd. a subsidiary Number of group-wide technicians at work exceeded 3,000
December 2015	Yume Agent Co., Ltd. established Yumeagent Philippines Corp.
May 2016	Established subsidiary Yume Education Co., Ltd.
August 2016	Made Yume Solutions Co., Ltd. (former Social Fintech Co.) a subsidiary
November 2016	Group-wide technicians at work exceeded 4,000
January 2017	Yume Agent Co., Ltd. acquired Buzz Box Co., Ltd. in absorption-type merger
March 2017	Certified as excellent staffing operator in MHLW-commissioned Excellent Worker-Dispatch Operator Certification System
June 2017	Yume Education Co., Ltd. established Construction Qualifications Promotion Center Co., Ltd. Yume Agent Co., Ltd. made Yumeagent Vietnam Co., Ltd. a subsidiary
July 2017	Group-wide technicians at work exceeded 5,000
October 2017	Yume Technology Co., Ltd. made Taiwan-based 178 Live Market Co., Ltd. (which operates 178 Human Resources Bank) a subsidiary

December 2017 Yume Technology Co., Ltd. made Krung thep Co., Ltd. a subsidiary
Group-wide technicians at work exceeded 6,000

News and topics

February 2018

On **February 16, 2018**, the company announced a sale of shares in an affiliated company and the booking of an extraordinary gain.

The company sold its shares in an affiliated company, BtcBox Co., Ltd. to BtcBox CEO, Mr. David Zhang on February 16. As a result of the transfer of shares, Yumeshin plans to book an extraordinary gain of JPY200mn in its FY09/18 consolidated earnings.

November 2017

On **November 16, 2017**, the company announced a monthly flash for October of FY09/18.

Starting this month, the company is releasing the monthly sales and operating profit data of its Construction Technician Temporary Staffing business (parent company figures). Until now, the company had released sales and the number of technicians hired (directly linked to sales) on a quarterly basis, as it had prioritized growing the scale of the business. This year, it positions generating profit as a top management priority and has decided to release sales and operating profit figures for the parent (the construction engineer staffing business) on a monthly basis since it expects consolidated operating profit to grow roughly 2x and parent operating profit to grow roughly 1.5x.

On **November 6, 2017**, the company announced its medium-term management plan for FY09/18–FY09/20.

Overview of medium-term management plan

In addition to its mainstay business of Construction Technician Temporary Staffing, the company plans to aggressively recruit for its Engineer Temporary Staffing business. The aim is to grow the scale of the business by meeting the temporary staffing needs of the construction, manufacturing, and IT industries.

In the Construction Technician Temporary Staffing business, the company aims to have 6,000 registered technicians via ongoing annual recruitment of 2,500 technicians to meet human resources demand driven by the 2020 Tokyo Olympics and Paralympics. In the Engineer Temporary Staffing business, the company aims to quickly establish systems that enable the recruitment of at least 1,000 technicians per annum, and aims to have 4,000 registered engineers. The company said it would focus on recruitment so that the group had a total of 10,000 engineers on its books by 2020. The company also said it would improve retention rates by exploiting its accumulated practical training expertise and data analysis using artificial intelligence. By maintaining high utilization rates, the company aims to maintain margins while meeting its human resources targets. Overseas, the company plans to carry out recruitment activities in three locations as it added a Taiwanese acquisition to its previous Vietnam and Philippines operations in September 2017.

Shareholder returns

The company plans to maintain a dividend per share of at least JPY35 from FY09/18 onward.

The company aims at an ROE of at least 30% by improving its net margin and appropriate capital management policies.

The company aims to transfer to the First Section of the Tokyo Stock Exchange for the following two reasons.

- i. Business: to boost recruitment ability and improve retention rates
- ii. Shares: to improve liquidity and expand shareholder base

Consolidated earnings forecasts

(JPYmn)	FY09/18	FY09/19	FY09/20
Sales	39,000	50,500	60,000
Operating profit	4,500	6,200	7,900
Net income attributable to parent company shareholders	2,900	4,100	5,000

Source: Shared Research based on company data

Construction Technician Temporary Staffing forecasts

(JPYmn; persons)	FY09/18	FY09/19	FY09/20
Sales	28,000	35,000	38,000
Operating profit	4,200	5,200	6,000
Number of technicians hired	2,500	2,500	2,500
Number of technicians at year end	5,100	5,700	6,200

Source: Shared Research based on company data

Engineer Temporary Staffing forecasts

(JPYmn; persons)	FY09/18	FY09/19	FY09/20
Sales	10,000	14,500	20,500
Operating profit	650	900	1,700
Number of technicians hired per year	1,200	1,600	2,000
Number of technicians at year end	2,400	3,400	4,600

Source: Shared Research based on company data

Other Businesses forecasts

(JPYmn)	FY09/18	FY09/19	FY09/20
Sales	1,000	1,500	1,500
Operating profit	(350)	100	200

Source: Shared Research based on company data

Major shareholders

Top shareholders	Shares held ('000)	Shareholding ratio
Shingo Sato	18,425	24.70%
Sato Sogokikaku Limited	12,444	16.68%
Japan Trustee Services Bank, Ltd. (Trust account)	3,692	4.95%
The Master Trust Bank of Japan, Ltd. (Trust account)	1,014	1.36%
Trust & Custody Services Bank, Ltd. (Securities investment trust account)	1,009	1.35%
Hideki Fukai	880	1.18%
Yoshiko Sato	688	0.92%
Tachibana Securities Co., Ltd.	631	0.84%
UBS AG London A/C IPB Segregated Client Account (Standing proxy: Citibank Japan Ltd.)	429	0.57%
Masahiro Nomura	373	0.50%
SUM	39,585	53.07%

Source: Shared Research based on company data (as of September 2017)

Top management

The representative directors are the Chairman, Shingo Sato, and the President, Daio Sato.

Chairman of the Board, Shingo Sato

Chairman of the Board, Shingo Sato, founded Sato Construction Design (now Yumeshin) at the age of 23 in 1970 and became President. He became President and Chairman of the Board in 2005 and Chairman of the Board (present post) in 2015.

President, Daio Sato

President, Daio Sato, joined Nomura Real Estate Development Co., Ltd. He joined Yumeshin in 2010, became Director in 2015 and President (present post) in 2015.

Dividends and shareholder benefits

The company dividend policy links dividends to the level of profitability. In its medium-term management plan, the company indicated its intention to pay a minimum dividend of JPY35 per share every year through FY09/20, and would increase the dividend or undertake share buybacks depending on actual results.

For FY09/18, the company plans to pay an annual dividend of JPY35 (payout ratio 90.0%), including an interim dividend of JPY15.0.

Employees

Yumeshin employed 6,667 employees at the consolidated level as of FY09/17 (4,667 at the parent). Parent company employees' average age of 29.9, earning an average salary of JPY3.6mn, and have been working with the company 2.0 years.

Company profile

Company Name	Head Office
YUMESHIN HOLDINGS Co., Ltd.	Marunouchi Eiraku Bldg., 22F 1-4-1 Marunouchi, Chiyoda-ku Tokyo, Japan 100-0005
Phone	Listed On
+81-3-3210-1200	JASDAQ Standard
Established	Exchange Listing
January 28, 1980	September 18, 2003
Website	Fiscal Year-End
http://www.yumeshin.co.jp/	September
IR Contact	IR Web
-	http://www.yumeshin.co.jp/ir/
IR Mail	IR Phone
-	+81-3-3210-1212

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AS ONE CORPORATION	IGNIS LTD.	Sanrio Company, Ltd.
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Azbil Corporation	Intelligent Wave, Inc.	Seria Co.,Ltd.
AZIA CO., LTD.	istyle Inc.	SHIP HEALTHCARE HOLDINGS, INC.
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Bell-Park Co., Ltd.	JSB Co., Ltd.	SMS Co., Ltd.
Benefit One Inc.	J Trust Co., Ltd	Snow Peak, Inc.
B-lot Co.,Ltd.	Japan Best Rescue System Co., Ltd.	Solasia Pharma K.K.
Canon Marketing Japan Inc.	JINS Inc.	SOURCENEXT Corporation
Carna Biosciences, Inc.	JP-HOLDINGS, INC.	Star Mica Co., Ltd.
CERES INC.	KAMEDA SEIKA CO., LTD.	Strike Co., Ltd.
Chiyoda Co., Ltd.	Kenedix, Inc.	SymBio Pharmaceuticals Limited
Chugoku Marine Paints, Ltd.	KFC Holdings Japan, Ltd.	Synchro Food Co., Ltd.
cocokara fine Inc.	KI-Star Real Estate Co., Ltd.	TAIYO HOLDINGS CO., LTD.
COMSYS Holdings Corporation	Kumiai Chemical Industry Co., Ltd.	Takashimaya Company, Limited
CRE, Inc.	LAC Co., Ltd.	Take and Give Needs Co., Ltd.
CREEK & RIVER Co., Ltd.	Lasertec Corporation	Takihyo Co., Ltd.
Daiseki Co., Ltd.	LUCKLAND CO., LTD.	TAMAGAWA HOLDINGS CO., LTD.
DIC Corporation	MATSUI SECURITIES CO., LTD.	TEAR Corporation
Digital Arts Inc.	Medical System Network Co., Ltd.	3-D Matrix, Ltd.
Digital Garage Inc.	MEDINET Co., Ltd.	TKC Corporation
DIGITAL HEARTS HOLDINGS Co., Ltd	Milbon Co., Ltd.	TOKAI Holdings Corporation
Don Quijote Holdings Co., Ltd.	MIRAIT Holdings Corporation	Tri-Stage Inc.
Dream Incubator Inc.	Monex Goup Inc.	VISION INC.
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Elecom Co., Ltd.	NAIGAI TRANS LINE LTD.	VOYAGE GROUP, INC.
Emergency Assistance Japan Co., Ltd.	NanoCarrier Co., Ltd.	WirelessGate, Inc.
en-Japan Inc.	Net One Systems Co.,Ltd.	YELLOW HAT LTD.
euglena Co., Ltd.	Nichi-Iko Pharmaceutical Co., Ltd.	YUMESHIN HOLDINGS CO., LTD.
Evolable Asia Corp.	NIPPON PARKING DEVELOPMENT Co., Ltd.	Yume no Machi Souzou Iinkai Co., Ltd.
Ferrotec Holdings Corporation	Nisshinbo Holdings Inc.	Yushiro Chemical Industry Co., Ltd.
FIELDS CORPORATION	NS TOOL CO., LTD.	ZAPPALLAS, INC.

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